KOUGA LOCAL MUNICIPALITY

2016/17 – 2018/19

DRAFT BUDGET

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PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR'S REPORT

Will be included in the final budget to be tabled in council on 27 May 2016.

1.2 COUNCIL RESOLUTIONS

(a) The Executive Mayor recommends that the Council resolves that:

1. The draft annual budget of the Kouga Municipality for the financial year 2016/17 and the indicative allocations for the projected outer years 2017/18 and 2018/19; and the multi-year and single year capital appropriations be approved for the purpose of complying with section 16(2) of the Municipal Finance Management Act (MFMA) No. 56 of 2003, as set-out in the following tables:

 1.1 Budgeted Financial Performance (revenue and expenditure by standard classification); [Page 24]
 1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote); [Page 26]
 1.3 Budgeted Financial Performance (revenue by source and expenditure by type); [Page 27]
 1.4 and Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source. [Page 30]

2. The budgeted financial position, budgeted cash flows, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be noted as set-out in the following tables:

 2.1 Budgeted Financial Position; [Page 32]
 2.2 Budgeted Cash Flows; [Page 34]
 2.3 Cash backed reserves and accumulated surplus reconciliation; [Page 35]
 2.4 Asset management; [Page 36]
 2.5 Basic service delivery measurement. [Page 39]

3. Tariffs be increased as follows with effect from 1 July 2016:

Property rates	-	9%
Water	-	9%
Sanitation	-	9%
Refuse	-	9%
Electricity (average increase in electricity income)	-	7.64%
Environmental Management Fee	-	6%

4. Indicative tariffs for 2017/18 and 2018/19 will be increased as follows:

	2017/18	2018/19
Property rates	6.2%	5.9%
Water	6.2%	5.9%
Sanitation	6.2%	5.9%
Refuse	6.2%	5.9%
Electricity	6.2%	5.9%
Environmental Management Fee	6.2%	5.9%

5. The Acting Director: Infrastructure, Planning and Development report on the implementation of a strategy by 27 May 2016, to reduce electricity losses.

6. The Acting Director: Infrastructure, Planning and Development report on the implementation of a strategy by 27 May 2016, to reduce water losses.

7. The Director: Social Services report on the implementation of a strategy by 27 May 2016, to collect outstanding traffic fines.

1.3 EXECUTIVE SUMMARY

The key service delivery priorities, as outlined in the IDP, informed the development of the Budget, including the need to improve and maintain the Municipality's financial sustainability.

Furthermore, cost containment measures are being implemented to curb costs and to improve operational efficiency.

National Treasury's MFMA Circulars No. 48, 51, 54, 55, 58, 59, 66, 67, 70, 72, 74, 75,78 and 79 (refer to Annexures "A" and "B") were used to guide the compilation of the 2016/17 Medium Term Revenue and Expenditure Framework (MTREF).

The Municipality faced the following significant challenges during the compilation of the 2016/17 MTREF:

- Maintaining revenue collection rates at the targeted levels;
- Maintaining electricity and water losses at acceptable levels;
- Increased costs associated with bulk electricity and water purchases, placing upward pressure on municipal tariff increases;
- Fully implementing cost containment measures;
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure; and
- Maintaining an acceptable cost coverage ratio;

The following budgeting principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- The priorities and targets, relating to the key strategic focus areas, as outlined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs.
- The level of property rates and tariff increases to ensure the delivery of municipal services on a financially sustainable basis.
- The need to enhance the municipality's revenue base.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.
- In accordance with Section 19 of the Municipal Finance Management Act, the relevant Directors must submit comprehensive reports in relation to new projects, inter alia; dealing with the total project costs, funding sources, future operating budget implications and associated tariff implications, before Council finally approves the implementation of any new projects.

In view of the aforementioned, the following table represents an overview of the proposed 2016/17 Medium-term Revenue and Expenditure Framework:

Table 1 (Overview of the 2016/17 MTREF)

R thousands	Adjustments Budget 2015/16	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
Total Operating Revenue	589,623	637,931	682,878	727,666
Total Operating Expenditure	643,764	685,833	725,582	767,566
Surplus/(Deficit)	-54,141	-47,902	-42,704	-39,900
Total Capital Expenditure	104,506	67,975	49,420	55,457

Total operating revenue has increased by 8.19% or R 48,308 million for the 2016/17 financial year, compared to the 2015/16 Adjustments Budget. For the two outer years, operational revenue increases by 7.05% and 6.56% respectively, resulting in a total revenue growth of R 138,043 million over the MTREF, when compared to the 2015/16 financial year.

Total operating expenditure for the 2016/17 financial year amounts to R 685,833 million, resulting in a budgeted deficit of R 47,902 million. Compared to the 2015/16 Adjustments Budget, operational expenditure increased by 6.53% in the 2016/17 Budget; and increased by 5.8% and 5.79% for each of the respective outer years of the MTREF. The 2017/18 and 2018/19 budgets reflect operating deficits of R 42,704 million and R 39,900 million respectively.

The major operating expenditure items for 2016/17 are employee related costs (34%), bulk electricity purchases (27.61%), depreciation (12.12%), general expenses (9.8%), and repairs and maintenance (5.25%).

Funding for the 2016/17 Operating Budget is obtained from various sources, the major sources being service charges such as electricity, water, sanitation, environmental management fees and refuse collection (55.93%), property rates (23.29%), grants and subsidies received from National and Provincial Governments (15.66%).

In order to fund the 2016/17 Operating Budget, the following increase in property rates and service charges are being proposed, with effect from 1 July 2016:

Property rates	-	9%
Water	-	9%
Sanitation	-	9%
Refuse	-	9%
Electricity (average increase in income)	-	7.64%
Environmental Management Fee	-	6%

The capital budget of R 67,975 million for 2016/17 is R 36,531 million or 34.96% less than the 2015/16 Adjustment Budget. The decrease is mainly attributable to a reduction in the grant funded capital projects, in terms of the Department of Human Settlement bulk infrastructure grant. The Capital Budget decreases to R 49,420 million in the 2017/18 financial year and then increases to R55,457 million in the 2018/19 financial year. The Capital Budget over the MTREF will be mainly funded from government grants and subsidies, as the Municipality has reached its prudential borrowing limits, whilst limited internal funding is available.

1.4 OPERATING REVENUE FRAMEWORK

The continued provision and expansion of municipal services, is largely dependent on the Municipality generating sufficient revenues. Efficient and effective revenue management is thus of vital importance in ensuring the ongoing financial sustainability of the Municipality. Furthermore, in accordance with the MFMA, expenditure has to be limited to the realistically anticipated revenues.

The Municipality's revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard;
- Tariff Policies;
- Property Rates Policy;
- Indigent Policy and provision of free basic services;
- The level of property rates and tariff increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to take into account the maintenance and replacement of infrastructure, including the expansion of services;
- Determining fully cost reflective tariffs for trading services;
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Water bulk tariff increases as approved by the Nelson Mandela Bay Metropolitan Municipality;
- Efficient revenue management, targeting a 94% annual collection rate for property rates and service charges.

The following table is a summary of the 2016/17 MTREF (classified by main revenue source):

Table 2 (Summary of main revenue sources)

Description	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	**Original Budget**	**Adjusted Budget**	**Budget Year 2016/17**	**Budget Year 2017/18**	**Budget Year 2018/19**
Revenue By Source					
Property rates	146 960	136 786	148 563	157 774	167 083
Property rates - penalties & collection charges					
Service charges - electricity revenue	232 429	211 141	224 482	238 400	252 466
Service charges - water revenue	54 836	50 964	53 124	56 418	59 747
Service charges - sanitation revenue	40 236	37 490	40 787	43 316	45 872
Service charges - refuse revenue	27 905	22 930	24 979	26 528	28 093
Service charges - other	12 689	12 689	13 451	14 285	15 128
Rental of facilities and equipment	1 398	551	591	627	664
Interest earned - external investments	2 078	2 984	3 000	3 186	3 374
Interest earned - outstanding debtors	6 246	3 715	6 500	6 903	7 310
Dividends received					
Fines	1 655	2 396	2 612	2 774	2 938
Licences and permits	10 302	8 522	9 086	9 649	10 219
Agency services					
Transfers recognised - operational	92 151	91 083	99 911	111 502	122 578
Other revenue	9 855	8 370	10 843	11 515	12 195
Gains on disposal of PPE					
Total Revenue (excluding capital transfers and contributions)	**638 741**	**589 623**	**637 931**	**682 878**	**727 666**

Table 3 (Mix of main revenue sources)

Description	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2016/17	%	Budget Year +1 2017/18	%	Budget Year +2 2018/19	%
Revenue By Source								
Property rates	136 786	23.20%	148 563	23.29%	157 774	23.10%	167 083	22.96%
Property rates - penalties & collection charges								
Service charges - electricity revenue	211 141	35.81%	224 482	35.19%	238 400	34.91%	252 466	34.70%
Service charges - water revenue	50 964	8.64%	53 124	8.33%	56 418	8.26%	59 747	8.21%
Service charges - sanitation revenue	37 490	6.36%	40 787	6.39%	43 316	6.34%	45 872	6.30%
Service charges - refuse revenue	22 930	3.89%	24 979	3.92%	26 528	3.88%	28 093	3.86%
Service charges - other	12 689	2.15%	13 451	2.11%	14 285	2.09%	15 128	2.08%
Rental of facilities and equipment	551	0.09%	591	0.09%	627	0.09%	664	0.09%
Interest earned - external investments	2 984	0.51%	3 000	0.47%	3 186	0.47%	3 374	0.46%
Interest earned - outstanding debtors	3 715	0.63%	6 500	1.02%	6 903	1.01%	7 310	1.00%
Dividends received	–	0.00%	–	0.00%	–	0.00%	–	0.00%
Fines	2 396	0.41%	2 612	0.41%	2 774	0.41%	2 938	0.40%
Licences and permits	8 522	1.45%	9 086	1.42%	9 649	1.41%	10 219	1.40%
Agency services	–	0.00%	–	0.00%	–	0.00%	–	0.00%
Transfers recognised - operational	91 083	15.45%	99 911	15.66%	111 502	16.33%	122 578	16.85%
Other revenue	8 370	1.42%	10 843	1.70%	11 515	1.69%	12 195	1.68%
Gains on disposal of PPE								
Total Revenue (excluding capital transfers and contributions)	589 623	100.00%	637 931	100.00%	682 878	100.00%	727 666	100.00%
Total Revenue from Property Rates and Service Charges	472 001	80.05%	505 387	79.22%	536 721	78.60%	568 388	78.11%

In the 2015/16 financial year, rates and service charges amounted to R 472,001 million. This increases to R 505,387 million, R 536,721 million and R 568,388 million in the 2016/17, 2017/18 and 2018/19 financial years, respectively.

The major operating revenue sources for 2016/17 are electricity (35.19%), property rates (23.29%), operating grants & subsidies (15.66%), water (8.33%) and sanitation (6.39%).

The following table provides a breakdown of the various operating grants and subsidies allocated to the Municipality over the medium term:

Table 4 (Operating Transfers and Grant Receipts)

Description	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
RECEIPTS:					
Operating Transfers and Grants					
National Government:	87 169	87 169	95 820	107 282	118 228
Local Government Equitable Share	82 099	82 099	91 622	103 959	114 565
Finance Management	1 600	1 600	1 625	1 700	1 955
Municipal Systems Improvement	930	930	–	–	–
EPWP Incentive	1 000	1 000	1 057	–	–
MIG - Admin	1 540	1 540	1 516	1 623	1 708
Provincial Government:	3 364	2 214	2 491	2 521	2 551
Library	2 014	2 014	2 014	2 014	2 014
Skills Development Grant	1 350	200	477	507	537
District Municipality:	1 600	1 700	1 600	1 699	1 799
Economic Development Gant		100			
Environment Health Subsidy	1 600	1 600	1 600	1 699	1 799
Other grant providers:	18	–	–	–	–
Grant : Jeffreys Bay Wind Farm	18				
Total Operating Transfers and Grants	92 151	91 083	99 911	111 502	122 578

The Municipality is faced with the significant challenge of providing services with its limited financial resources. Against this background, the Municipality has undertaken the tariff determination process relating to property rates and service charges as follows:

1.4.1 Property Rates

Property rates fund the costs associated with the provision of general services, such as fire, library and roads and stormwater services.

The following provisions in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rateable value (Section 17(h) of the MPRA).
- An additional R85 000 rebate will be granted to registered indigents in terms of the Indigent Policy.
- If the usage of a property changes during a financial year, the rebate applicable will be reduced *pro rata* for the balance of the financial year.

A property rates increase of 9% is proposed as from 1 July 2016.

The proposed property rates increase is mainly influenced by the following:

- Employee related costs increased by 7.18%;
- Providing for debt impairment.

1.4.2 Sale of Water and Impact of Tariff Increases

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66, 70 and 74, Municipalities are encouraged to review the level and structure of their water tariffs to ensure:

- Fully cost reflective water tariffs – tariffs should include the costs associated with bulk water purchases, the maintenance and renewal of purification plants, water networks and water reticulation expansion;
- Water tariffs are structured to protect basic levels of service; and
- Water tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has urged municipalities to ensure that water tariffs are fully cost reflective by 2014/15. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2016/17 MTREF.

A tariff increase of 9% is proposed as from 1 July 2016. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 6.51%;
- The cost of bulk water purchases increased by 9%;
- Providing for debt impairment.

The water tariff structure is designed in such a manner that higher levels of water consumption are progressively charged at a higher rate.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has determined that the Eskom bulk electricity tariff to municipalities would increase by 9.4% as from 1 July 2016. Considering the Eskom tariff increase, the Municipality's consumer tariffs will be increased by 7.64% on average to offset the additional electricity bulk purchase costs as from 1 July 2016, in line with the NERSA tariff guidelines.

The proposed tariff increases are mainly influenced by the following:

- Employee related costs increased by 6.42%;
- The cost of bulk electricity purchases increased by 9.4%;
- Repairs and maintenance of electricity infrastructure increased by 4.7%;
- Costs of servicing existing external borrowing to fund electricity infrastructure;
- Providing for debt impairment.

The proposed electricity tariff increases, still require approval by NERSA.

1.4.4 Sanitation and Impact of Tariff Increases

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66, 70 and 74, Municipalities are encouraged to review the level and structure of their sanitation tariffs to ensure:

- Fully cost reflective sanitation tariffs – tariffs should include the costs associated with maintenance and renewal of treatment plants, sanitation networks and sanitation infrastructure expansion;
- Sanitation tariffs are structured to protect basic levels of service; and
- Sanitation tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has urged municipalities to ensure that sanitation tariffs are fully cost reflective by 2014/15. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2016/17 MTREF.

Sanitation charges are determined based on the volume of water consumed, which is appropriately reduced by the percentage of water discharged into the sewer system.

A tariff increase of 9% is proposed as from 1 July 2016. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 6.14%;
- Providing for debt impairment.

1.4.5 Refuse Collection and Impact of Tariff Increases

National Treasury has urged municipalities to ensure that refuse tariffs are fully cost reflective by 2015. The tariffs should take into account the need to maintain a cash-backed reserve to cover the future costs of the rehabilitation of landfill sites. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2016/17 MTREF.

A tariff increase of 9% is proposed for refuse collection, as from 1 July 2016.

The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 7.4%;
- Providing for debt impairment

1.4.6 Environmental Management Fees and Impact of Tariff increases

A tariff increase of 6% is proposed for the environmental management fee, as from 1 July 2016.

- Employee related costs increased by 7.13%;
- Providing for debt impairment.

1.5 OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- The funding of the budget over the medium-term is informed by the requirements of Section 18 and 19 of the MFMA;
- A balanced budget approach by limiting operating expenditure to the operating revenue;

The following table is a high level summary of the 2016/17 budget and MTREF (classified per main type of operating expenditure):

Table 5 (Summary of operating expenditure by standard classification item)

Description	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	**Original Budget**	**Adjusted Budget**	**Budget Year 2016/17**	**Budget Year 2017/18**	**Budget Year 2018/19**
Expenditure By Type					
Employee related costs	212 437	217 587	233 201	247 660	262 272
Remuneration of councillors	11 678	10 283	11 004	11 686	12 376
Debt impairment	52 021	27 981	30 323	32 203	34 103
Depreciation & asset impairment	80 714	80 714	83 123	88 277	93 485
Finance charges	16 112	5 555	4 463	3 786	3 028
Bulk purchases	200 868	189 634	207 394	220 252	233 247
Other materials	–	35 105	35 999	37 668	39 891
Contracted services	11 069	13 393	12 537	13 314	14 100
Transfers and grants	–	–	580	616	652
Other expenditure	104 346	63 511	67 208	70 120	74 412
Loss on disposal of PPE					
Total Expenditure	**689 244**	**643 764**	**685 833**	**725 582**	**767 566**

The total operating expenditure increased by R 42,069 million (6.53%) from R 643,764 million in 2015/16 to R 685,833 million in 2016/17. Below is a discussion of the main expenditure components.

Employee related costs

The 2016/17 draft budget provides for a general increase of 7%, in line with the approved Salary and Wage Collective Agreement.

The total budget provision of R 233,201 million represents an increase of 7.18% over the 2015/16 Adjustments budget.

Employee related costs in the 2016/17 Budget, represent 34% of the total operating expenditure.

Remuneration of Councillors

The remuneration of Councillors is determined by the Minister of Co-operative Governance and Traditional Affairs, in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in preparing the budget. As the budget provides for a 7% increase, Councillors' remuneration should be limited to the budget allocated for this purpose.

Debt Impairment

The provision for debt impairment was determined based on a targeted annual collection rate of 94%. For the 2016/17 financial year this amounted to R 30,323 million and increases to R 34,103 million in 2018/19. While this expenditure represents a non-cash flow item, it is taken into account in determining the total costs associated with the rendering of municipal services and the realistically anticipated revenues.

Depreciation and Asset Impairment

The provision for depreciation and asset impairment has been informed by the Municipality's Fixed Assets Register. The budget amounts to R 83,123 million for the 2016/17 financial and equates to 12.12% of the total operating expenditure.

Finance Charges

Finance charges consist primarily of the repayment of interest on existing long-term borrowing (cost of capital). Finance charges constitute 0.65% (R 4,463 million) of total operating expenditure for 2016/17.

Bulk Electricity Purchases

The bulk purchases of electricity increased by R 16,268 million (9.4%), from R 173,063 million in 2015/16 to R 189,331 million in 2016/17.

NERSA has approved a 9.4% increase in the Eskom bulk tariff for the 2016/17 financial year. The 2016/17 budget accordingly allows for a 9.4% increase for bulk electricity purchases from Eskom.

Bulk Water Purchases

The bulk purchases of water increased by R 1,492 million (9%) from R 16,571 million in 2015/16 to R 18,063 million in 2016/17. The total budget provision of R 18,063 million is based on a bulk water tariff increase of approximately 9%.

Other Materials

Other materials, comprise materials for repairs and maintenance. The budget for 2016/17 amounts to R 35,999 million and equates to 5.25% of the total operating expenditure.

Contracted Services

In the 2016/17 financial year, the budget provision amounts to R 12,537 million and equates to 1.83% of the total operating expenditure.

Other Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality.

The expenditure increased by R 3,697 million or 5.82% for 2016/17 and equates to 9.8%% of the total operating expenditure.

The graph below reflects the expenditure components of the budgeted statement of financial performance.

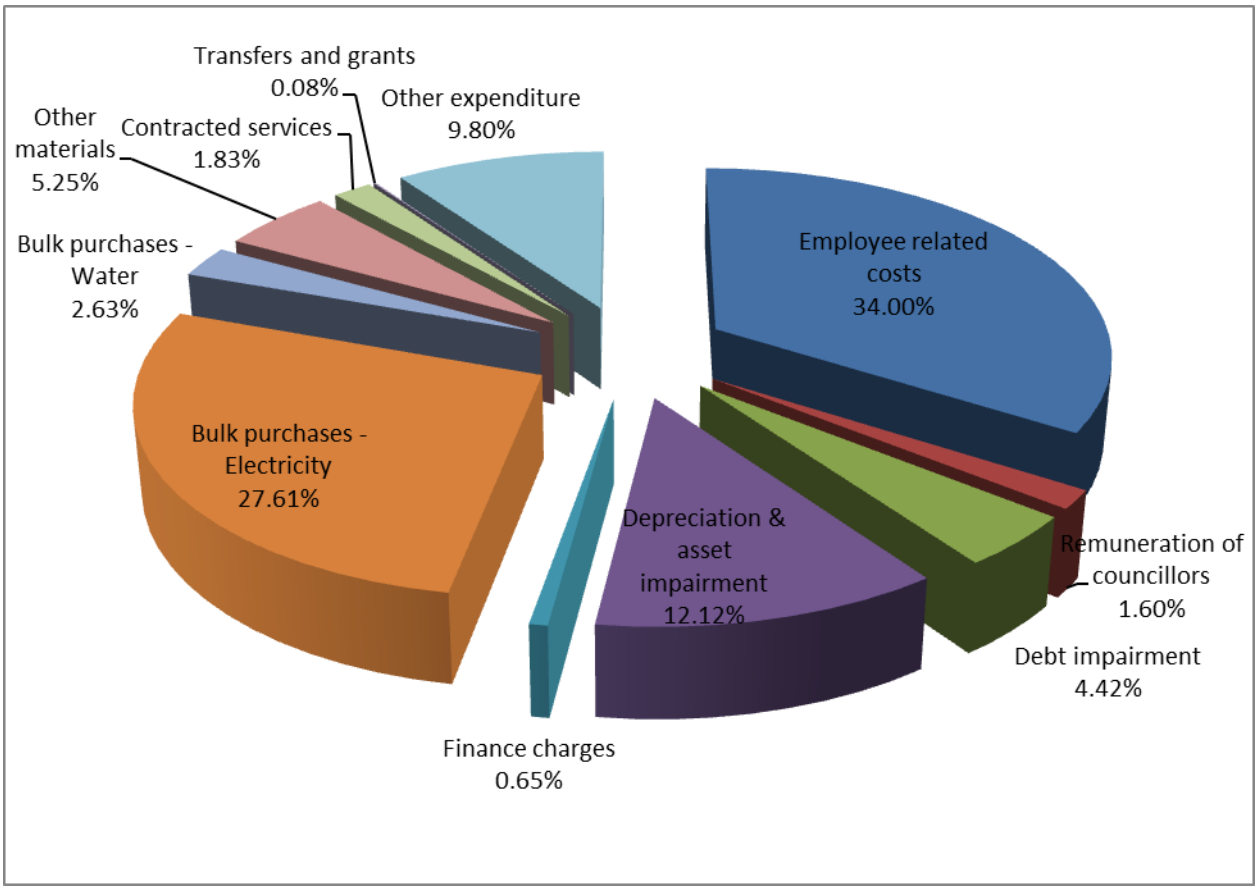


Figure 1 Main operational expenditure categories for the 2016/17 financial year

1.5.1 Priority relating to repairs and maintenance

The repairs and maintenance expenditure in the 2016/17 financial year, increased by 2.55%, compared to the 2015/16 Adjustments Budget.

The growth for the two outer years, amount to 4.64% and 5.9%, respectively. In relation to the total operating expenditure, repairs and maintenance constitutes 5.25% for the 2016/17 financial year and 5.19% for the 2017/18 and 5.20% for the 2018/19 financial years, respectively.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 6 (Repairs and maintenance per asset class)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Repairs and Maintenance by Asset Class	19 199	22 431	26 507	40 195	35 105	35 999	37 668	39 891
Infrastructure - Road transport	2 303	3 523	4 140	4 725	4 700	5 015	5 326	5 640
Infrastructure - Electricity	1 744	2 266	4 097	8 263	4 613	5 313	5 643	5 975
Infrastructure - Water	4 334	3 901	4 544	5 732	4 982	5 357	5 689	6 025
Infrastructure - Sanitation	2 163	2 857	3 523	3 820	4 174	4 670	4 960	5 252
Infrastructure - Other	343	308	234	2 039	1 089	1 471	1 562	1 654
Infrastructure	*10 887*	*12 855*	*16 538*	*24 579*	*19 558*	*21 826*	*23 179*	*24 547*
Community	71	52	98	1 193	2 594	2 711	2 561	2 712
Heritage assets	–	–	–	1 971	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–
Other assets	8 241	9 524	9 871	12 452	12 953	11 462	11 928	12 632
TOTAL EXPENDITURE OTHER ITEMS	19 199	22 431	26 507	40 195	35 105	35 999	37 668	39 891

For the 2016/17 financial year an amount of R21,826 million (60.63%) of total repairs and maintenance, will be spent on infrastructure assets.

1.5.1 Free Basic Services: Indigent Support

The indigent support assists indigent households that have limited financial ability to pay for municipal services. In order to qualify for free services the households are required to register in terms of the Municipality's Indigent Policy, whilst the monthly household income may not exceed two state pensions. Detail relating to free services, cost of free basic services, as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement).

The cost of the indigent support of the registered indigent households is largely financed by national government through the local government equitable share allocation, received in terms of the annual Division of Revenue Act.

1.6 CAPITAL EXPENDITURE

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 7 (2016/17 Medium-term capital budget per vote)

Vote Description	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2016/17	%	Budget Year +1 2017/18	%	Budget Year +2 2018/19	%
Capital expenditure - Municipal Vote								
Vote 1 - Executive & Council	500	0.48%	1 330	1.96%	–	0.00%	–	0.00%
Vote 2 - Financial Services	415	0.40%	670	0.99%	–	0.00%	–	0.00%
Vote 3 - Administration, Monitoring & Evaluation	179	0.17%	675	0.99%	–	0.00%	–	0.00%
Vote 4 - Led, Tourism & Creative Industries	174	0.17%	1 470	2.16%	1 542	3.12%	1 623	2.93%
Vote 5 - Infrastructure, Planning & Development	92 894	88.89%	43 188	63.53%	39 672	80.28%	45 965	82.89%
Vote 6 - Social Services	10 344	9.90%	20 641	30.37%	8 206	16.60%	7 869	14.19%
Total Capital Expenditure - Vote	104 506	100.00%	67 975	100.00%	49 420	100.00%	55 457	100.00%

Of the total amount of R 67,975 million for 2016/17, an amount of R 47,509 million has been appropriated for the development of infrastructure, which represents 69.89% of the total capital budget. In the outer years this amount totals R44,498 (90.04%) and R50,834 (91.66%) respectively for each of the financial years.

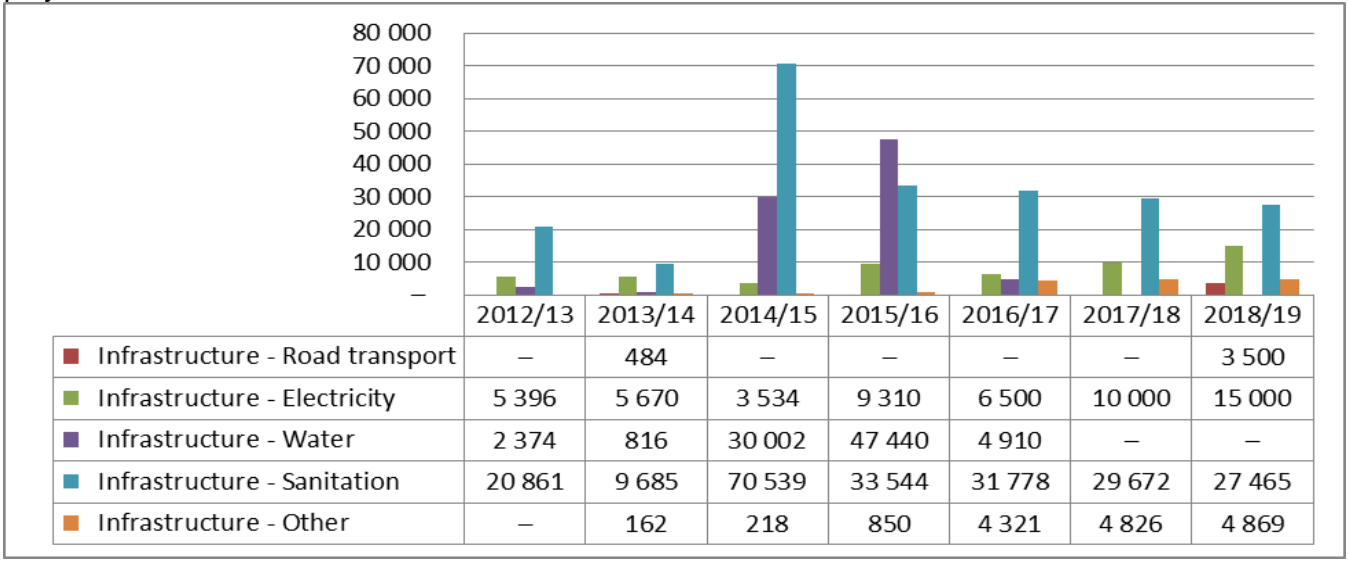
Infrastructure, Planning & Development receives the highest allocation of R 43,188 million in 2016/17, which equates to 63.53%, followed by Social Services at R 20,641 million (30.37%), LED, Tourism & Creative Industries at R 1,470 million (2.16%), Executive & Council at R 1,330 million (1.96%), Administration, Monitoring & Evaluation at R 675, 000 (0.99%) and Financial Services at R 670,000 (0.99%).

Some of the major projects to be undertaken over the medium-term includes, amongst others:

- Electrification of Houses R 6,000 million
- Upgrade Kruisfontein WWTW & Outfall Sewer R 14,679 million
- Patensie Replacement of digesters Ph 1 R 8,369 million
- Petensie upgrade of WWTW R 5,000 million
- Wavecrest Internal Sewer R 3,730 million
- Upgrade Sports Facilities R 4,321 million

Annexure "C" provides a summary of the capital projects included in the Capital budget.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.



	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Infrastructure - Road transport	–	484	–	–	–	–	3 500
Infrastructure - Electricity	5 396	5 670	3 534	9 310	6 500	10 000	15 000
Infrastructure - Water	2 374	816	30 002	47 440	4 910	–	–
Infrastructure - Sanitation	20 861	9 685	70 539	33 544	31 778	29 672	27 465
Infrastructure - Other	–	162	218	850	4 321	4 826	4 869

Figure 2 Capital Infrastructure Programme rounded to the nearest R1000

1.7 ANNUAL BUDGET TABLES

The ten main budget tables, as required in terms of the Municipal Budget and Reporting Regulations, are included in this section. These tables set out the Municipality's 2016/17 Budget and MTREF to be considered for approval by Council. Each table is accompanied by *explanatory notes*.

Table 8 (Table A1 - Budget Summary)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Financial Performance								
Property rates	113 455	128 563	128 580	146 960	136 786	148 563	157 774	167 083
Service charges	262 120	291 078	301 052	368 095	335 215	356 824	378 947	401 305
Investment revenue	1 236	1 709	2 430	2 078	2 984	3 000	3 186	3 374
Transfers recognised - operational	59 924	66 305	77 583	92 151	91 083	99 911	111 502	122 578
Other own revenue	28 112	30 958	33 407	29 456	23 555	29 632	31 469	33 326
Total Revenue (excluding capital transfers and contributions)	464 848	518 613	543 052	638 741	589 623	637 931	682 878	727 666
Employee costs	193 299	208 085	212 826	212 437	217 587	233 201	247 660	262 272
Remuneration of councillors	8 594	9 025	9 757	11 678	10 283	11 004	11 686	12 376
Depreciation & asset impairment	81 466	80 000	81 944	80 714	80 714	83 123	88 277	93 485
Finance charges	22 090	13 356	7 131	16 112	5 555	4 463	3 786	3 028
Materials and bulk purchases	162 290	168 847	170 528	200 868	224 740	243 393	257 921	273 138
Transfers and grants	–	–	–	–	–	580	616	652
Other expenditure	78 167	109 911	96 669	167 435	104 886	110 068	115 637	122 614
Total Expenditure	545 906	589 224	578 855	689 244	643 764	685 833	725 582	767 566
Surplus/(Deficit)	(81 059)	(70 611)	(35 803)	(50 504)	(54 141)	(47 902)	(42 704)	(39 900)
Transfers recognised - capital	34 897	20 032	127 028	–	80 800	44 720	40 840	47 457
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(46 161)	(50 579)	91 225	(50 504)	26 659	(3 182)	(1 864)	7 557
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(46 161)	(50 579)	91 225	(50 504)	26 659	(3 182)	(1 864)	7 557
Capital expenditure & funds sources								
Capital expenditure	29 233	18 261	116 735	63 570	104 506	67 975	49 420	55 457
Transfers recognised - capital	28 765	16 816	110 055	33 360	80 800	44 720	40 840	47 457
Public contributions & donations	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–
Internally generated funds	468	1 445	6 680	30 210	23 706	23 255	8 580	8 000
Total sources of capital funds	29 233	18 261	116 735	63 570	104 506	67 975	49 420	55 457

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Financial position								
Total current assets	99 236	99 124	123 256	86 234	119 730	129 951	165 820	210 375
Total non current assets	2 482 778	2 420 758	2 452 493	2 649 759	2 476 713	2 717 831	2 673 948	2 606 756
Total current liabilities	183 325	181 991	143 818	144 257	143 732	140 740	148 923	157 254
Total non current liabilities	171 692	157 977	160 792	159 543	148 325	137 395	132 971	127 843
Community wealth/Equity	2 226 996	2 179 914	2 271 139	2 432 193	2 304 386	2 569 647	2 557 873	2 532 035
Cash flows								
Net cash from (used) operating	35 261	43 413	144 279	63 570	107 372	79 941	86 413	101 042
Net cash from (used) investing	(29 004)	(17 026)	(116 484)	(63 570)	(104 506)	(67 975)	(49 420)	(55 457)
Net cash from (used) financing	(4 145)	(16 028)	(16 864)	–	(15 456)	(7 303)	(7 213)	(7 182)
Cash/cash equivalents at the year end	18 391	28 751	39 682	(0)	27 092	31 755	61 535	99 938
Cash backing/surplus reconciliation								
Cash and investments available	18 391	28 751	39 682	10 000	27 092	31 755	61 535	99 938
Application of cash and investments	51 854	57 176	22 642	46 065	13 631	9 621	10 261	10 908
Balance - surplus (shortfall)	(33 463)	(28 425)	17 040	(36 065)	13 461	22 134	51 274	89 031
Asset management								
Asset register summary (WDV)	2 482 441	2 420 570	2 452 322	2 649 567	2 414 736	2 717 718	2 673 875	2 606 723
Depreciation & asset impairment	81 466	80 000	81 944	80 714	80 714	83 123	88 277	93 485
Renewal of Existing Assets	–	–	–	–	–	19 001	29 498	30 834
Repairs and Maintenance	19 199	22 431	26 507	40 195	35 105	35 999	37 668	39 891
Free services								
Cost of Free Basic Services provided	–	–	30	19 160	19 160	31	32	32
Revenue cost of free services provided	–	–	–	18 179	18 179	18 179	19 306	20 310
Households below minimum service level								
Water:	–	–	–	–	–	–	–	–
Sanitation/sewerage:	4	4	4	5	5	4	4	4
Energy:	–	–	–	–	–	–	–	–
Refuse:	–	–	–	16	16	–	–	–

Explanatory notes to Table A1 - Budget Summary

The aim of the Budget Summary is to provide a concise overview of the proposed budget from all of the major financial perspectives (operating expenditure, capital expenditure, financial position, cash flow, and MFMA funding compliance). The table provides an overview of the amounts to be approved by Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash and funding compliance, as well as the Municipality's commitment to eliminating basic service delivery backlogs.

Table 9 (Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification))

Standard Classification Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue - Standard								
Governance and administration	175 919	202 998	210 531	241 451	227 398	249 403	271 497	292 142
Executive and council	2	4	468	–	100	–	–	–
Budget and treasury office	174 171	202 111	209 162	240 876	226 518	248 308	270 333	290 910
Corporate services	1 746	883	900	575	780	1 096	1 164	1 232
Community and public safety	15 863	13 815	15 398	20 413	18 261	23 671	25 051	26 380
Community and social services	5 961	5 343	6 264	8 829	8 135	8 577	8 984	9 395
Sport and recreation	0	2	4	669	13	4 321	4 626	4 869
Public safety	9 902	8 470	9 130	10 914	10 113	10 773	11 441	12 116
Housing	–	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–
Economic and environmental services	(12 767)	(14 881)	(23 688)	21 471	18 804	21 114	21 325	26 063
Planning and development	5 667	7 323	4 364	7 014	4 347	5 881	5 148	8 931
Road transport	–	–	–	–	–	–	–	–
Environmental protection	(18 434)	(22 204)	(28 052)	14 457	14 456	15 233	16 178	17 132
Trading services	320 731	336 713	467 839	355 406	405 960	388 462	405 845	430 538
Electricity	201 005	217 924	220 038	232 429	217 875	236 147	254 416	273 837
Water	23 641	29 051	116 332	54 836	98 404	58 443	56 852	60 206
Waste water management	59 429	48 276	85 497	40 236	66 750	68 878	68 034	68 386
Waste management	36 656	41 462	45 973	27 905	22 930	24 994	26 544	28 110
Other	–	–	–	–	–	–	–	–
Total Revenue - Standard	499 745	538 645	670 080	638 741	670 423	682 650	723 718	775 123
Expenditure - Standard								
Governance and administration	120 592	140 401	130 624	124 367	127 831	131 745	139 781	148 182
Executive and council	22 905	25 127	23 803	30 530	29 729	31 458	33 409	35 380
Budget and treasury office	61 130	79 688	66 651	53 820	51 379	52 708	55 844	59 294
Corporate services	36 557	35 586	40 170	40 016	46 723	47 578	50 528	53 509
Community and public safety	73 272	77 444	81 887	88 352	82 706	88 923	94 117	99 370

Standard Classification Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Community and social services	42 946	45 820	48 635	49 705	44 070	47 291	49 904	52 849
Sport and recreation	524	527	522	593	630	666	707	749
Public safety	26 112	27 535	29 074	33 897	34 626	37 244	39 553	41 587
Housing	3 691	3 562	3 656	4 156	3 380	3 722	3 952	4 185
Health	–	–	–	–	–	–	–	–
Economic and environmental services	94 635	101 881	96 843	100 935	96 807	107 064	112 336	118 963
Planning and development	87 039	94 742	90 551	88 132	86 275	96 295	100 898	106 851
Road transport	–	–	–	–	–	–	–	–
Environmental protection	7 596	7 138	6 292	12 803	10 533	10 770	11 438	12 112
Trading services	257 407	269 498	269 500	375 590	336 420	358 101	379 349	401 050
Electricity	166 538	175 907	179 017	234 329	209 495	232 264	246 664	260 817
Water	36 401	33 993	35 450	61 681	56 200	53 156	56 452	59 782
Waste water management	32 132	33 584	31 045	42 709	37 987	41 421	43 035	45 294
Waste management	22 336	26 014	23 988	36 871	32 738	31 260	33 198	35 157
Other	–	–	–	–	–	–	–	–
Total Expenditure - Standard	545 906	589 224	578 855	689 244	643 764	685 833	725 582	767 566
Surplus/(Deficit) for the year	(46 161)	(50 579)	91 225	(50 504)	26 659	(3 182)	(1 864)	7 557

Explanatory notes to Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

The ‘standard classification’ refers to a modified Government Finance Statistics (GFS) reporting structure. The aim of the standard classification approach is to ensure that all municipalities approve a budget in one common format, to facilitate comparison across all municipalities. It should be noted that the revenue by vote as reflected in this table, includes revenue attributable to capital grants.

Table 10 (Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote))

Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote								
Vote 1 - Executive & Council	2	4	468	–	100	–	–	–
Vote 2 - Financial Services	174 171	202 052	209 078	240 876	226 526	248 308	270 333	290 910
Vote 3 - Administration, Monitoring & Evaluation	1 326	461	511	1 455	227	508	540	571
Vote 4 - Led, Tourism & Creative Industries	98	19	–	(60)	100	1 440	1 542	1 623
Vote 5 - Infrastructure, Planning & Development 1	206 995	225 709	224 875	238 622	222 667	241 175	258 646	281 805
Vote 6 - Infrastructure, Planning & Development 2	83 070	77 327	201 829	95 072	165 154	127 321	124 885	128 591
Vote 7 - Social Services 1	6 661	6 100	7 342	7 117	6 491	6 666	6 954	7 245
Vote 8 - Social Services 2	27 423	26 974	25 977	55 659	49 158	57 233	60 818	64 376
Vote 9 - Social Services 3	–	–	–	–	–	–	–	–
Total Revenue by Vote	499 745	538 645	670 080	638 741	670 423	682 650	723 718	775 123
Expenditure by Vote *to be appropriated*								
Vote 1 - Executive & Council	22 905	25 127	23 803	30 530	29 729	31 458	33 409	35 380
Vote 2 - Financial Services	65 140	83 410	70 914	59 716	58 163	59 097	62 629	66 479
Vote 3 - Administration, Monitoring & Evaluation	26 068	25 092	28 873	28 886	31 559	33 253	35 315	37 398
Vote 4 - Led, Tourism & Creative Industries	16 891	19 412	14 901	8 890	9 443	10 842	11 514	12 193
Vote 5 - Infrastructure, Planning & Development 1	246 856	261 571	265 356	324 742	298 087	329 375	348 429	368 586
Vote 6 - Infrastructure, Planning & Development 2	68 533	67 577	66 495	104 391	94 186	94 577	99 487	105 076
Vote 7 - Social Services 1	24 303	26 860	26 684	33 436	32 829	34 950	36 798	38 969
Vote 8 - Social Services 2	75 210	80 174	81 828	98 413	89 408	91 725	97 412	102 859
Vote 9 - Social Services 3	–	–	–	240	360	556	591	626
Total Expenditure by Vote	545 906	589 224	578 855	689 244	643 764	685 833	725 582	767 566
Surplus/(Deficit) for the year	(46 161)	(50 579)	91 225	(50 504)	26 659	(3 182)	(1 864)	7 557

Explanatory notes to Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. The purpose of the format in which the budget is presented, is to enable the Council to enforce a vote in accordance with the municipality's organisational structure, so as to assign responsibility for the revenue and expenditure recorded against these votes to the Municipal Manager and Directors concerned. Operating revenue and expenditure is thus presented by 'vote'. A 'vote' is defined as one of the main segments into which a budget of a municipality is divided into, for the appropriation of funds.

Table 11 (Table A4 - Budgeted Financial Performance (revenue and expenditure))

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source								
Property rates	113 455	128 563	128 580	146 960	136 786	148 563	157 774	167 083
Property rates - penalties & collection charges								
Service charges - electricity revenue	193 104	211 719	215 208	232 429	211 141	224 482	238 400	252 466
Service charges - water revenue	23 546	28 983	32 912	54 836	50 964	53 124	56 418	59 747
Service charges - sanitation revenue	28 861	33 264	37 326	40 236	37 490	40 787	43 316	45 872
Service charges - refuse revenue	36 454	41 458	45 875	27 905	22 930	24 979	26 528	28 093
Service charges - other	(19 845)	(24 347)	(30 269)	12 689	12 689	13 451	14 285	15 128
Rental of facilities and equipment	676	276	1 395	1 398	551	591	627	664
Interest earned - external investments	1 236	1 709	2 430	2 078	2 984	3 000	3 186	3 374
Interest earned - outstanding debtors	6 456	3 841	3 926	6 246	3 715	6 500	6 903	7 310
Dividends received	–	–	–	–	–	–	–	–
Fines	1 070	357	1 737	1 655	2 396	2 612	2 774	2 938
Licences and permits	7 746	7 848	6 503	10 302	8 522	9 086	9 649	10 219
Agency services	–	–	–	–	–	–	–	–
Transfers recognised - operational	59 924	66 305	77 583	92 151	91 083	99 911	111 502	122 578
Other revenue	11 984	17 549	19 710	9 855	8 370	10 843	11 515	12 195
Gains on disposal of PPE	180	1 087	137	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)	464 848	518 613	543 052	638 741	589 623	637 931	682 878	727 666
Expenditure By Type								
Employee related costs	193 299	208 085	212 826	212 437	217 587	233 201	247 660	262 272
Remuneration of councillors	8 594	9 025	9 757	11 678	10 283	11 004	11 686	12 376
Debt impairment	5 401	33 195	17 308	52 021	27 981	30 323	32 203	34 103
Depreciation & asset impairment	81 466	80 000	81 944	80 714	80 714	83 123	88 277	93 485
Finance charges	22 090	13 356	7 131	16 112	5 555	4 463	3 786	3 028
Bulk purchases	162 290	168 847	170 528	200 868	189 634	207 394	220 252	233 247
Other materials	–	–	–	–	35 105	35 999	37 668	39 891
Contracted services	–	–	–	11 069	13 393	12 537	13 314	14 100
Transfers and grants	–	–	–	–	–	580	616	652
Other expenditure	72 766	76 716	79 361	104 346	63 511	67 208	70 120	74 412
Loss on disposal of PPE	–	–	–	–	–	–	–	–
Total Expenditure	545 906	589 224	578 855	689 244	643 764	685 833	725 582	767 566
Surplus/(Deficit)	(81 059)	(70 611)	(35 803)	(50 504)	(54 141)	(47 902)	(42 704)	(39 900)
Transfers recognised - capital	34 897	20 032	127 028		80 800	44 720	40 840	47 457

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Contributions recognised - capital	–	–	–	–	–	–	–	–
Contributed assets								
Surplus/(Deficit) after capital transfers & contributions	(46 161)	(50 579)	91 225	(50 504)	26 659	(3 182)	(1 864)	7 557
Taxation								
Surplus/(Deficit) after taxation	(46 161)	(50 579)	91 225	(50 504)	26 659	(3 182)	(1 864)	7 557
Attributable to minorities								
Surplus/(Deficit) attributable to municipality	(46 161)	(50 579)	91 225	(50 504)	26 659	(3 182)	(1 864)	7 557
Share of surplus/ (deficit) of associate								
Surplus/(Deficit) for the year	(46 161)	(50 579)	91 225	(50 504)	26 659	(3 182)	(1 864)	7 557

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

Revenue

1. The Financial Performance Budget is required to be approved concurrently by revenue source and expenditure type, so as to ensure consistency with annual reporting format requirements. A key aim is to facilitate comparison between the annual results and the original budget, so as to assess performance.

2. Total revenue amounts to R 637,931 million in 2016/17 and increases to R 727,666 in 2018/19. This represents a year-on-year increase of 8.19% for the 2016/17 financial year, and increases of 7.05% for the 2017/18 financial year and 6.56% for the 2018/19 financial year, respectively.

3. Revenue from property rates amounts to R 148,563 million in the 2016/17 financial year and increases to R 167,083 million in 2018/19, which amounts to 23.29% of the total operating revenue base of the Municipality. Tariff increases of 9% have been provided for 2016/17 and 6.2% and 5.9% for the two outer years, respectively.

4. Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the biggest component of the total revenue base, amounting to R356,824 million for the 2016/17 financial year and increasing to R 401,305 million in 2018/19. For the 2016/17 financial year services charges amount to 55.93% of the total revenue base.

5. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It is to be noted that the grants increased by 9.69% for 2016/17 and increased by 9.93% for 2018/19.

6. Breakdown of property rates and service charges for 2016/17:

Item Description	Adjustments Budget 2015/16	Draft Budget 2016/17	% Increase
OPERATING REVENUE	**R**	**R**	
Property Rates	149 914 129	163 200 092	9%
Rebates	-12 885 294	-14 379 019	12%
Equitable Share Subsidy	-243 005	-257 585	6%
Property Rates per A4	**136 785 831**	**148 563 488**	**9%**
Service charges - electricity	222 668 137	237 923 902	7%
Interdepartmental charges	-8 435 410	-8 941 535	6%
Equitable Share Subsidy	-3 091 773	-4 500 000	46%
Service charges – Electricity per A4	**211 140 954**	**224 482 368**	**6%**
Service charges - water	61 992 214	67 151 865	8%
Interdepartmental charges	-591 945	-627 461	6%
Equitable Share Subsidy	-10 436 039	-13 400 000	28%
Service charges – Water per A4	**50 964 229**	**53 124 403**	**4%**
Service charges - sewerage & sanitation	44 902 419	48 866 681	9%
Interdepartmental charges	-826 479	-900 862	9%
Equitable Share Subsidy	-6 585 998	-7 178 738	9%
Service charges – Sewerage & sanitation per A4	**37 489 942**	**40 787 081**	**9%**
Service charges - refuse	34 431 423	37 515 289	9%
Interdepartmental charges	-237 861	-259 268	9%
Equitable Share Subsidy	-11 263 066	-12 276 742	9%
Service charges – Refuse per A4	**22 930 496**	**24 979 278**	**9%**
Service charges - environmental management	15 843 165	16 793 755	6%
Interdepartmental charges	-251 147	-266 216	6%
Equitable Share Subsidy	-2 902 603	-3 076 759	6%
Service charges – Environmental management per A4	**12 689 415**	**13 450 780**	**6%**

Expenditure

7. Bulk purchases have increased significantly over the 2012/13 to 2016/17 period, increasing from R 162,290 million to R 207,394 million (27.79%). These increases are mainly attributable to the substantial increases in the cost of bulk electricity from Eskom.

Table 12 (Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source)

Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital expenditure - Vote								
Multi-year expenditure *to be appropriated*								
Vote 1 - Executive & Council	–	–	–	–	–	–	–	–
Vote 2 - Financial Services	–	–	–	–	–	–	–	–
Vote 3 - Administration, Monitoring & Evaluation	–	–	–	–	–	–	–	–
Vote 4 - Led, Tourism & Creative Industries	–	–	–	–	–	–	–	–
Vote 5 - Infrastructure, Planning & Development 1	–	–	–	–	–	–	–	–
Vote 6 - Infrastructure, Planning & Development 2	–	–	–	–	–	–	–	–
Vote 7 - Social Services 1	–	–	–	–	–	–	–	–
Vote 8 - Social Services 2	–	–	–	–	–	–	–	–
Vote 9 - Social Services 3	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	–	–	–	–	–	–	–	–
Single-year expenditure *to be appropriated*								
Vote 1 - Executive & Council	–	109	1 698	500	500	1 330	–	–
Vote 2 - Financial Services	468	680	1 647	145	415	670	–	–
Vote 3 - Administration, Monitoring & Evaluation	–	34	394	–	179	675	–	–
Vote 4 - Led, Tourism & Creative Industries	–	15	175	1 563	174	1 470	1 542	1 623
Vote 5 - Infrastructure, Planning & Development 1	5 530	5 803	4 599	10 100	9 910	6 500	10 000	15 000
Vote 6 - Infrastructure, Planning & Development 2	23 236	10 767	100 640	32 508	82 984	36 688	29 672	30 965
Vote 7 - Social Services 1	–	311	893	3 515	2 711	2 320	1 380	1 200
Vote 8 - Social Services 2	–	542	6 690	15 209	7 603	18 306	6 826	6 669
Vote 9 - Social Services 3	–	–	–	30	30	15	–	–
Vote 10 - [NAME OF VOTE 10]	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total	29 233	18 261	116 735	63 570	104 506	67 975	49 420	55 457
Total Capital Expenditure - Vote	29 233	18 261	116 735	63 570	104 506	67 975	49 420	55 457

Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital Expenditure - Standard								
Governance and administration	468	823	3 838	645	1 094	2 675	–	–
Executive and council	–	109	1 698	500	500	1 300	–	–
Budget and treasury office	468	632	1 456	115	385	640	–	–
Corporate services	–	82	684	30	209	735	–	–
Community and public safety	134	847	7 625	15 689	9 469	13 186	8 206	7 869
Community and social services	134	61	884	2 115	2 045	2 725	1 380	1 200
Sport and recreation	–	484	6 157	11 149	5 649	9 821	6 826	6 669
Public safety	–	302	487	2 425	1 775	640	–	–
Housing	–	–	97	–	–	–	–	–
Health	–	–		–	–	–	–	–
Economic and environmental services	–	59	742	4 628	1 052	5 425	1 542	1 623
Planning and development	–	45	646	1 463	77	1 440	1 542	1 623
Road transport	–	–		–	–	–	–	–
Environmental protection	–	13	96	3 165	975	3 985	–	–
Trading services	28 631	16 532	104 530	42 608	92 891	46 688	39 672	45 965
Electricity	5 396	5 757	3 824	10 100	9 907	6 500	10 000	15 000
Water	2 374	854	30 008	–	47 440	4 910	–	–
Waste water management	20 861	9 913	70 632	32 508	35 544	31 778	29 672	30 965
Waste management	–	8	67	–	–	3 500	–	–
Other	–	–		–	–	–	–	–
Total Capital Expenditure - Standard	29 233	18 261	116 735	63 570	104 506	67 975	49 420	55 457
Funded by:								
National Government	28 765	16 816	110 055	33 360	33 360	34 810	40 840	47 457
Provincial Government	–	–		–	47 440	9 910	–	–
District Municipality	–	–		–	–	–	–	–
Other transfers and grants	–	–		–	–	–	–	–
Transfers recognised - capital	28 765	16 816	110 055	33 360	80 800	44 720	40 840	47 457
Public contributions & donations	–	–		–	–	–	–	–
Borrowing	–	–		–	–	–	–	–
Internally generated funds	468	1 445	6 680	30 210	23 706	23 255	8 580	8 000
Total Capital Funding	29 233	18 261	116 735	63 570	104 506	67 975	49 420	55 457

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote; capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The capital programme is funded from capital and provincial grants and internally generated funds. For 2016/17, capital transfers totals R 44,720 million (65.79%) and amounts to R 47,457 million for 2018/19 (85.57%). Internally generated funding amounts to R 23,255 million, R 8,580 million and R 8,000 million for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in Section 2.6 (Overview of Budget Funding).

Table 13 (Table A6 - Budgeted Financial Position)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
ASSETS								
Current assets								
Cash					3 000	3 000	5 000	10 000
Call investment deposits	18 534	28 751	39 682	10 000	24 092	28 755	56 535	89 938
Consumer debtors	47 982	52 942	43 579	59 006	46 863	49 675	52 755	55 868
Other debtors	28 946	13 090	35 671	12 658	41 196	43 668	46 375	49 111
Current portion of long-term receivables	9	21	8		8	8	9	9
Inventory	3 764	4 321	4 317	4 571	4 571	4 845	5 145	5 449
Total current assets	99 236	99 124	123 256	86 234	119 730	129 951	165 820	210 375
Non-current assets								
Long-term receivables	337	188	171	192	153	113	73	33
Investments				–				
Investment property	62 895	62 294	61 824	64 175	61 824	63 705	63 234	62 764
Investment in Associate								
Property, plant and equipment	2 419 425	2 358 105	2 390 315	2 585 217	2 414 541	2 653 913	2 610 613	2 543 959
Agricultural								
Biological								
Intangible	122	172	183	175	195	101	27	
Other non-current assets								
Total non-current assets	2 482 778	2 420 758	2 452 493	2 649 759	2 476 713	2 717 831	2 673 948	2 606 756
TOTAL ASSETS	2 582 013	2 519 883	2 575 749	2 735 993	2 596 443	2 847 782	2 839 768	2 817 132

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
LIABILITIES								
Current liabilities								
Bank overdraft	143							
Borrowing	33 548	23 928	10 870	3 379	11 185	7 303	7 213	7 182
Consumer deposits	7 810	8 384	8 593	8 551	8 802	9 330	9 908	10 493
Trade and other payables	124 287	118 214	94 474	100 231	95 449	94 113	99 948	105 845
Provisions	17 538	31 466	29 882	32 095	28 297	29 995	31 855	33 734
Total current liabilities	183 325	181 991	143 818	144 257	143 732	140 740	148 923	157 254
Non current liabilities								
Borrowing	61 104	53 443	49 637	53 963	49 637	36 734	30 297	23 114
Provisions	110 588	104 535	111 155	105 580	98 688	100 662	102 675	104 728
Total non current liabilities	171 692	157 977	160 792	159 543	148 325	137 395	132 971	127 843
TOTAL LIABILITIES	355 017	339 969	304 610	303 800	292 057	278 136	281 895	285 097
NET ASSETS	2 226 996	2 179 914	2 271 139	2 432 193	2 304 386	2 569 647	2 557 873	2 532 035
COMMUNITY WEALTH/EQUITY								
Accumulated Surplus/(Deficit)	2 226 996	2 179 914	2 271 139	2 432 193	2 304 386	2 569 647	2 557 873	2 532 035
Reserves	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	2 226 996	2 179 914	2 271 139	2 432 193	2 304 386	2 569 647	2 557 873	2 532 035

Explanatory notes to Table A6 - Budgeted Financial Position

1. The table presents Assets less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity; i.e. assets readily converted to cash or liabilities immediately required to be met from cash appear first.

2. Any movement on the Budgeted Financial Performance or the Capital Budget will invariably impact on the Budgeted Financial Position. For example, the collection rate assumption will impact on the cash position of the municipality and consequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption informs the budget provision for debt impairment, which in turn impacts on the provision for bad debts. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is directly informed by forecasting the statement of financial position.

Table 14 (Table A7 - Budgeted cash flow statement)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties & collection charges	109 025	138 713	122 196	142 595	134 356	139 650	148 308	157 058
Service charges	247 311	252 848	293 108	320 439	308 977	335 414	356 210	377 227
Other revenue	32 134	36 399	17 296	23 210	24 241	23 132	24 566	26 015
Government - operating	91 174	95 932	191 281	92 151	91 083	99 911	111 502	122 578
Government – capital				33 360	80 800	44 720	40 840	47 457
Interest	1 236	1 709	2 430	8 324	2 984	9 500	10 089	10 684
Dividends						–	–	–
Payments								
Suppliers and employees	(423 529)	(468 833)	(474 900)	(540 398)	(529 515)	(567 344)	(600 701)	(636 297)
Finance charges	(22 090)	(13 356)	(7 131)	(16 112)	(5 555)	(4 463)	(3 786)	(3 028)
Transfers and Grants						(580)	(616)	(652)
NET CASH FROM/(USED) OPERATING ACTIVITIES	35 261	43 413	144 279	63 570	107 372	79 941	86 413	101 042
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	180	1 087	234			–	–	–
Decrease (Increase) in non-current debtors	49	148				–	–	–
Decrease (increase) other non-current receivables			17			–	–	–
Decrease (increase) in non-current investments						–	–	–
Payments								
Capital assets	(29 233)	(18 261)	(116 735)	(63 570)	(104 506)	(67 975)	(49 420)	(55 457)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(29 004)	(17 026)	(116 484)	(63 570)	(104 506)	(67 975)	(49 420)	(55 457)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans						–	–	–
Borrowing long term/refinancing						–	–	–
Increase (decrease) in consumer deposits						–	–	–
Payments								
Repayment of borrowing	(4 145)	(16 028)	(16 864)		(15 456)	(7 303)	(7 213)	(7 182)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(4 145)	(16 028)	(16 864)	–	(15 456)	(7 303)	(7 213)	(7 182)
NET INCREASE/ (DECREASE) IN CASH HELD	2 112	10 359	10 931	(0)	(12 590)	4 663	29 780	38 403
Cash/cash equivalents at the year begin:	16 279	18 391	28 751		39 682	27 092	31 755	61 535
Cash/cash equivalents at the year end:	18 391	28 751	39 682	(0)	27 092	31 755	61 535	99 938

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement represents the first measurement in determining whether the budget is funded.

2. It reflects the expected cash in-flows versus cash outflows that is likely to result from the implementation of the budget.

3. The cash position of the Municipality increased over the 2012/13 to 2014/15 period, from R18,391 million to R 39,682 million.

4. Cash and cash equivalents amounts to R 31,755 million as at the end of the 2016/17 financial year and increases to R 99,938 million in 2018/19.

Table 15 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available								
Cash/cash equivalents at the year end	18 391	28 751	39 682	(0)	27 092	31 755	61 535	99 938
Other current investments > 90 days	(0)	(0)	0	10 000	(0)	(0)	–	–
Non current assets - Investments	–	–	–	–	–	–	–	–
Cash and investments available:	18 391	28 751	39 682	10 000	27 092	31 755	61 535	99 938
Application of cash and investments								
Unspent conditional transfers	7 457	19 019	5 689	–	5 689	–	–	–
Unspent borrowing	–	–	–	–	–	–	–	–
Statutory requirements								
Other working capital requirements	49 902	55 169	20 253	36 065	5 554	7 089	7 572	8 060
Other provisions	1 952	2 007	2 389		2 389	2 532	2 689	2 848
Long term investments committed	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments				10 000				
Total Application of cash and investments:	51 854	57 176	22 642	46 065	13 631	9 621	10 261	10 908
Surplus(shortfall)	(33 463)	(28 425)	17 040	(36 065)	13 461	22 134	51 274	89 031

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

2. The table assesses the funding levels of the budget by firstly forecasting the cash and investments at year-end and secondly reconciling the available funding to the liabilities/commitments that exist.

3. As part of the budgeting and planning guidelines that informed the compilation of the 2016/17 MTREF, the end objective of the medium-term framework was to ensure the budget is funded as required in accordance with section 18 of the MFMA.

4. It is to be noted that the budget moves from a funding surplus of R 22,134 million in 2016/17 to a surplus of R 89,031 million in 2018/19.

Table 16 (Table A9 - Asset Management)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CAPITAL EXPENDITURE								
Total New Assets	29 233	18 261	116 735	63 570	104 506	48 974	19 922	24 623
Infrastructure - Road transport	–	484	–	–	–	–	–	–
Infrastructure - Electricity	5 396	5 670	3 534	10 100	9 310	6 500	10 000	15 000
Infrastructure - Water	2 374	816	30 002	–	47 440	4 910	–	–
Infrastructure - Sanitation	20 861	9 685	70 539	32 508	33 544	17 099	5 000	5 000
Infrastructure - Other	–	162	218	–	850	–	–	–
Infrastructure	*28 631*	*16 816*	*104 293*	*42 608*	*91 144*	*28 509*	*15 000*	*20 000*
Community	134	–	–	19 547	9 809	11 885	3 380	3 000
Heritage assets	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–
Other assets	468	1 445	12 347	1 415	3 553	8 581	1 542	1 623
Agricultural Assets	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–
Intangibles	–	–	95	–	–	–	–	–
Total Renewal of Existing Assets	–	–	–	–	–	19 001	29 498	30 834
Infrastructure - Road transport	–	–	–	–	–	–	–	3 500
Infrastructure - Electricity	–	–	–	–	–	–	–	–
Infrastructure - Water	–	–	–	–	–	–	–	–
Infrastructure - Sanitation	–	–	–	–	–	14 679	24 672	22 465
Infrastructure - Other	–	–	–	–	–	4 321	4 826	4 869
Infrastructure	–	–	–	–	–	*19 001*	*29 498*	*30 834*
Community	–	–	–	–	–	–	–	–
Heritage assets	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	–	–
Agricultural Assets	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Total Capital Expenditure								
Infrastructure - Road transport	–	484	–	–	–	–	–	3 500
Infrastructure - Electricity	5 396	5 670	3 534	10 100	9 310	6 500	10 000	15 000
Infrastructure - Water	2 374	816	30 002	–	47 440	4 910	–	–
Infrastructure - Sanitation	20 861	9 685	70 539	32 508	33 544	31 778	29 672	27 465
Infrastructure - Other	–	162	218	–	850	4 321	4 826	4 869
Infrastructure	*28 631*	*16 816*	*104 293*	*42 608*	*91 144*	*47 509*	*44 498*	*50 834*
Community	134	–	–	19 547	9 809	11 885	3 380	3 000
Heritage assets	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–
Other assets	468	1 445	12 347	1 415	3 553	8 581	1 542	1 623
Agricultural Assets	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–
Intangibles	–	–	95	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	29 233	18 261	116 735	63 570	104 506	67 975	49 420	55 457
ASSET REGISTER SUMMARY - PPE (WDV)								
Infrastructure - Road transport	1 222 618	1 247 070	1 010 650	1 259 541	813 085	1 215 611	1 171 631	1 131 324
Infrastructure - Electricity	167 661	171 014	189 735	172 724	196 471	236 187	236 187	236 187
Infrastructure - Water	276 836	282 372	314 566	285 196	284 564	281 492	272 877	264 263
Infrastructure - Sanitation	310 777	316 993	398 117	320 163	374 146	342 786	359 395	349 982
Infrastructure - Other			1 564	–	1 346			
Infrastructure	*1 977 892*	*2 017 450*	*1 914 632*	*2 037 625*	*1 669 612*	*2 076 075*	*2 040 089*	*1 981 755*
Community	77 493	79 043	100 859	79 833	116 814	101 615	104 783	107 125
Heritage assets								
Investment properties	62 895	62 294	61 824	64 175	61 824	63 705	63 234	62 764
Other assets	364 040	261 612	374 824	467 759	566 291	476 223	465 741	455 079
Agricultural Assets	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–
Intangibles	122	172	183	175	195	101	27	–
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	2 482 441	2 420 570	2 452 322	2 649 567	2 414 736	2 717 718	2 673 875	2 606 723
EXPENDITURE OTHER ITEMS								
Depreciation & asset impairment	81 466	80 000	81 944	80 714	80 714	83 123	88 277	93 485
Repairs and Maintenance by Asset Class	19 199	22 431	26 507	40 195	35 105	35 999	37 668	39 891
Infrastructure - Road transport	2 303	3 523	4 140	4 725	4 700	5 015	5 326	5 640
Infrastructure - Electricity	1 744	2 266	4 097	8 263	4 613	5 313	5 643	5 975
Infrastructure - Water	4 334	3 901	4 544	5 732	4 982	5 357	5 689	6 025
Infrastructure - Sanitation	2 163	2 857	3 523	3 820	4 174	4 670	4 960	5 252

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Infrastructure - Other	343	308	234	2 039	1 089	1 471	1 562	1 654
Infrastructure	*10 887*	*12 855*	*16 538*	*24 579*	*19 558*	*21 826*	*23 179*	*24 547*
Community	71	52	98	1 193	2 594	2 711	2 561	2 712
Heritage assets	–	–	–	1 971	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–
Other assets	8 241	9 524	9 871	12 452	12 953	11 462	11 928	12 632
TOTAL EXPENDITURE OTHER ITEMS	100 665	102 431	108 451	120 909	115 819	119 123	125 945	133 376
Renewal of Existing Assets as % of total capex	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*28.0%*	*59.7%*	*55.6%*
Renewal of Existing Assets as % of deprecn"	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*22.9%*	*33.4%*	*33.0%*
R&M as a % of PPE	*0.8%*	*1.0%*	*1.1%*	*1.6%*	*1.5%*	*1.4%*	*1.4%*	*1.6%*
Renewal and R&M as a % of PPE	*1.0%*	*1.0%*	*1.0%*	*2.0%*	*1.0%*	*2.0%*	*3.0%*	*3.0%*

Explanatory notes to Table A9 - Asset Management

1. The table provides a summarised version of the capital programme divided into new assets and renewal of existing assets; and also reflects the relevant asset categories. The associated repairs and maintenance and depreciation is also reflected.

 It also provides an indication of the resources deployed for maintaining and renewing existing assets, as well as the extent of asset expansion.

2. National Treasury has suggested that municipalities should allocate at least 40% of their capital budget to the renewal/rehabilitation of existing assets, and allocations to repairs and maintenance should be 8% of PPE. In this regard the expenditure relating to the renewal/rehabilitation of existing assets amounts to 28% of the capital budget, whilst repairs and maintenance constitute 1.4% of PPE.

Table 17 (Table A10 - Basic Service Delivery Measurement)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Household service targets								
Water:								
Piped water inside dwelling	–	–	–	8 000	8 000	30 371	32 193	34 125
Piped water inside yard (but not in dwelling)	–	–	–	7 000	7 000	–	–	–
Using public tap (at least min.service level)	–	–	–	2 000	2 000	–	–	–
Other water supply (at least min.service level)	–	–	–	2 000	2 000	–	–	–
Minimum Service Level and Above sub-total	–	–	–	19 000	19 000	30 371	32 193	34 125
Using public tap (< min.service level)	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	–	–	–	–	–	–	–	–
No water supply	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–	–	–	–	–
Total number of households	–	–	–	19 000	19 000	30 371	32 193	34 125
Sanitation/sewerage:								
Flush toilet (connected to sewerage)	–	–	–	10 000	10 000	–	–	–
Flush toilet (with septic tank)	–	–	–	2 000	2 000	–	–	–
Chemical toilet	129	129	129	–	–	129	129	129
Pit toilet (ventilated)	–	–	–	2 000	2 000	–	–	–
Other toilet provisions (> min.service level)	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total	129	129	129	14 000	14 000	129	129	129
Bucket toilet	3 885	3 885	3 885	3 000	3 000	3 885	3 885	3 885
Other toilet provisions (< min.service level)	–	–	–	2 000	2 000	–	–	–
No toilet provisions	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total	3 885	3 885	3 885	5 000	5 000	3 885	3 885	3 885
Total number of households	4 014	4 014	4 014	19 000	19 000	4 014	4 014	4 014
Energy:								
Electricity (at least min.service level)	–	–	–	–	–	9 610	10 187	10 798
Electricity - prepaid (min.service level)	–	–	–	16 000	16 000	14 249	15 103	16 010
Minimum Service Level and Above sub-total	–	–	–	16 000	16 000	23 858	25 290	26 807
Electricity (< min.service level)	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)	–	–	–	–	–	–	–	–
Other energy sources	–	–	–	–	–	–	–	–

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Below Minimum Service Level sub-total	–	–	–	–	–	–	–	–
Total number of households	–	–	–	16 000	16 000	23 858	25 290	26 807
Refuse:								
Removed at least once a week	–	–	–	–	–	21 309	22 588	23 943
Minimum Service Level and Above sub-total	–	–	–	–	–	21 309	22 588	23 943
No rubbish disposal	–	–	–	16 000	16 000	–	–	–
Below Minimum Service Level sub-total	–	–	–	16 000	16 000	–	–	–
Total number of households	–	–	–	16 000	16 000	21 309	22 588	23 943
Households receiving Free Basic Service								
Water (6 kilolitres per household per month)	–	–	–	7 101	7 101	–	–	–
Sanitation (free minimum level service)	–	–	–	7 101	7 101	–	–	–
Electricity/other energy (50kwh per household per month)	–	–	–	7 101	7 101	–	–	–
Refuse (removed at least once a week)	–	–	–	7 101	7 101	–	–	–
Cost of Free Basic Services provided - Formal Settlements (R'000)								
Water (6 kilolitres per indigent household per month)	–	–	7	5 713	5 713	8	8	8
Sanitation (free sanitation service to indigent households)	–	–	7	4 370	4 370	8	8	8
Electricity/other energy (50kwh per indigent household per month)	–	–	7	2 611	2 611	8	8	8
Refuse (removed once a week for indigent households)	–	–	7	6 466	6 466	8	8	8
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)	–	–	–	–	–	–	–	–
Total cost of FBS provided	–	–	30	19 160	19 160	31	32	32
Highest level of free service provided per household								
Property rates (R value threshold)	847	957	1 156	85 000	85 000	1 336	1 430	1 530
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6
Sanitation (Rand per household per month)	75	85	73			96	103	110
Electricity (kwh per household per month)	50	50	50	50	50	50	50	50
Refuse (average litres per week)				27	27			
Revenue cost of subsidised services provided (R'000)								
Water (in excess of 6 kilolitres per indigent household per month)	–	–	–	5 420	5 420	5 420	5 756	6 056
Sanitation (in excess of free sanitation service to indigent households)	–	–	–	4 146	4 146	4 146	4 403	4 632
Electricity/other energy (in excess of 50 kwh per indigent household per month)	–	–	–	2 478	2 478	2 478	2 631	2 768
Refuse (in excess of one removal a week for indigent households)	–	–	–	6 135	6 135	6 135	6 515	6 854
Total revenue cost of subsidised services provided	–	–	–	18 179	18 179	18 179	19 306	20 310

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

1.8 Annual Budget Supporting Tables

The relevant supporting tables are attached as annexure "D"

PART 2 – SUPPORTING DOCUMENTATION

2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

The Budget process started in September 2015 after the approval of a timetable to guide the preparation of the 2016/17 to 2018/19 Operating and Capital Budgets.

The timetable provides broad timeframes for the IDP and Budget preparation process. It allows for consultation with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, State departments, business and labour, during April 2016. The main aim of the timetable is to ensure that a revised IDP and a balanced Budget are tabled in May 2016. The draft Budget will be tabled by the Executive Mayor at a Council meeting scheduled for 29 March 2016. After this meeting, it will be submitted to National Treasury as well as being subjected to a consultation process with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments.

The consultation will take the form of a series of public meetings in the various wards under the direction and leadership of the Executive Mayor and her Mayoral Committee. Taking the inputs of the aforementioned consultations into account, the Executive Mayor will table the IDP and Budget for consideration and approval at a Council meeting to be held on 27 May 2016.

The Service Delivery and Budget Implementation Plan is the mechanism that ensures that the IDP and the Budget is aligned.

The draft Budget was considered by the IDP and Budget Steering Committee under the direction of the Executive Mayor. The IDP and Budget Steering Committee consist of the Executive Mayor, the Chairperson of the Finance, Administration, Monitoring & Evaluation Standing Committee, the Municipal Manager and senior officials. The primary aims of the Committee are to ensure that:

- The budget compilation process complies with legislation;
- There is proper alignment between the service delivery priorities as set out in the Municipality's IDP and the Budget, taking into account the need to maintain the financial sustainability of the Municipality;
- The Municipality's revenue and tariff determination strategies generate sufficient cash resources to deliver services; and
- The various spending priorities of the different municipal directorates are properly evaluated and prioritised in the allocation of resources.

2.1.1 IDP & Budget Timetable 2016/17 to 2018/19

The preparation of the 2016/17 to 2018/19 IDP and Budget is guided by the following schedule of key deadlines as approved by Council on 31 August 2015.

Activity	Date
IDP/Budget Schedule approved by Council	31 August 2015
Tabling of draft IDP and Budget in Council	29 March 2016
Public Participation	1 to 21 April 2016
Final adoption of IDP and Budget by Council	27 May 2016
Approval of SDBIP by Executive Mayor	24 June 2016

2.2 ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

The Integrated Development Plan (IDP) determines and prioritises the needs of the community.

The review of the IDP, in accordance with the Municipal Systems Act, was guided and informed by the following principles:

- Achievement of the five strategic priorities of the municipality.
- Focusing on service delivery backlogs and the maintenance of infrastructure.
- Addressing community priorities (needs) as identified in the IDP.

The review of the IDP focused on establishing measurable performance indicators and targets. These targets informed the preparation of the multi-year budget, as well as the Service Delivery and Budget Implementation Plan (SDBIP).

The 2016/17 to 2018/19 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

After the tabling of the Budget, a series of meetings will be held throughout the municipal area to consult with the elected public representatives, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings will be referred to the relevant Directorates for their attention.

Below is a table, which illustrates the link between the Budget and the IDP.

BUDGET ALLOCATION ACCORDING TO IDP PRIORITIES

	Municipal Transformation and Development	Service Delivery and Infrastructure Development	Local Economic Development	Financial Sustainability and Viability	Good Governance and Public Participation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
2016/17 Budget						
Capital Expenditure	25	63,829	1,470	670	1,980	**67,975**
Operating Expenditure	6,391	548,436	10,297	61,605	59,104	**685,833**
Total						
2017/18 Budget						
Capital Expenditure		47,878	1,542			**49,420**
Operating Expenditure	6,787	580,043	10,935	65,048	62,768	**725,582**
Total						
2018/19 Budget						
Capital Expenditure		53,834	1,623			**55,457**
Operating Expenditure	7,188	613,285	11,580	69,040	66,472	**767,566**
Total	**20 391**	**1 907 305**	**28 447**	**196 363**	**190 324**	**2 342 830**

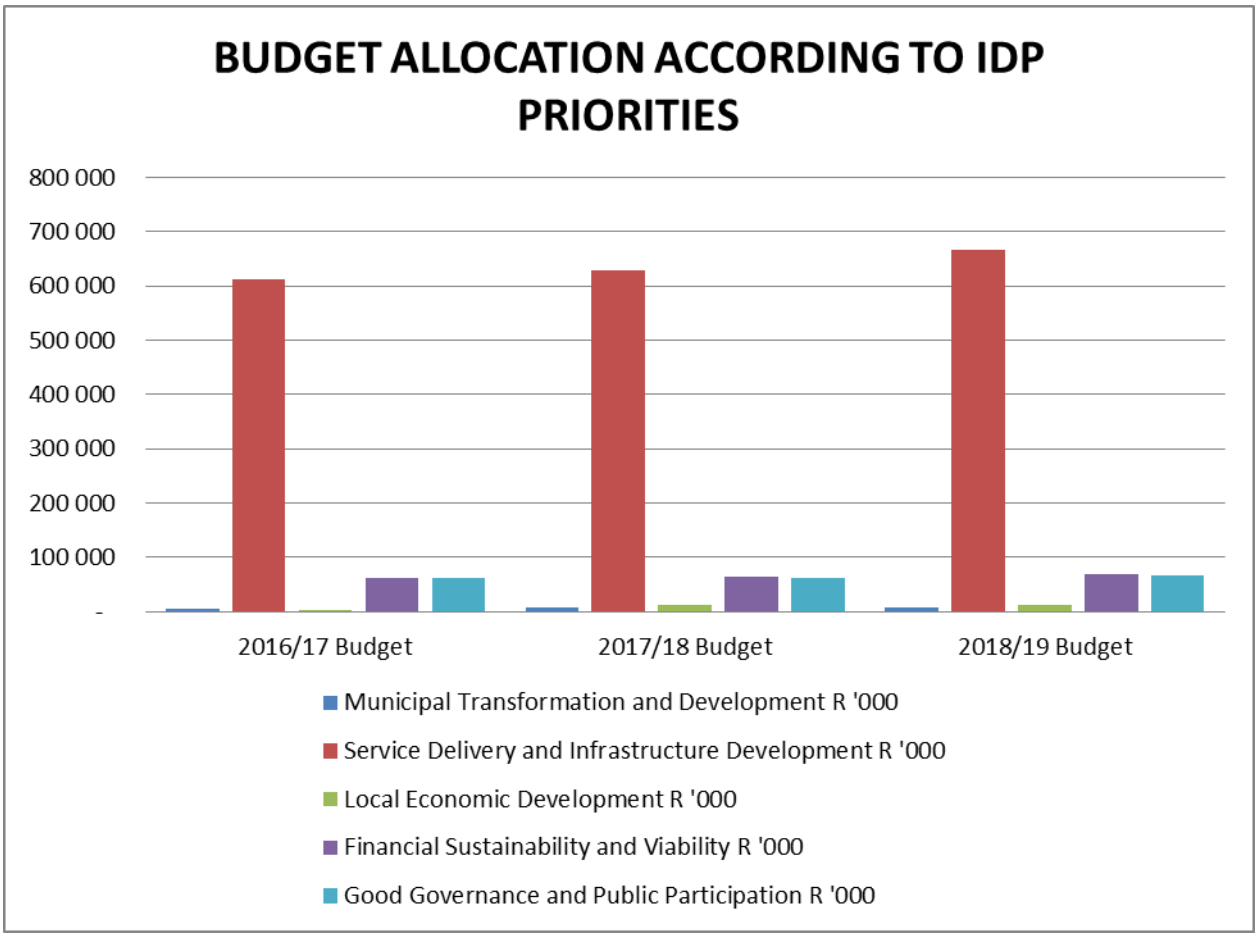


Figure 3 – 2016/17Expenditure by IDP Priorities

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

EC108 Kouga - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2012/13	2013/14	2014/15	2016/17 Medium Term Revenue & Expenditure Framework					
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Borrowing Management										
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	4.8%	5.0%	4.1%	2.3%	3.3%	3.3%	1.7%	1.5%	1.3%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	6.5%	6.5%	5.2%	2.9%	4.2%	4.2%	2.2%	1.9%	1.7%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital										
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity										
Current Ratio	Current assets/current liabilities	0.5	0.5	0.9	0.6	0.8	0.8	0.9	1.1	1.3
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.5	0.5	0.9	0.6	0.8	0.8	0.9	1.1	1.3
Liquidity Ratio	Monetary Assets/Current Liabilities	0.1	0.2	0.3	0.1	0.2	0.2	0.2	0.4	0.6
Revenue Management										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		94.9%	93.3%	96.7%	89.9%	93.9%	94.0%	94.0%	94.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		94.9%	93.3%	96.7%	89.9%	93.9%	93.9%	94.0%	94.0%	94.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	16.4%	12.6%	12.6%	11.2%	15.0%	15.0%	14.7%	14.5%	14.4%

Description of financial indicator	Basis of calculation	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Creditors Management										
Creditors to Cash and Investments		624.4%	345.0%	223.7%	0.0%	327.7%	327.7%	296.4%	162.4%	105.9%
Employee costs	Employee costs/(Total Revenue - capital revenue)	41.0%	39.7%	33.8%	33.3%	36.9%	36.9%	36.6%	36.3%	36.0%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	43.43%	41.86%	35.3%	35.1%	38.6%	38.6%	38.3%	38.0%	37.7%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	4.1%	4.3%	4.2%	6.3%	6.0%	6.0%	5.6%	5.5%	5.5%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	21.9%	17.8%	14.1%	15.2%	14.6%	14.6%	13.7%	13.5%	13.3%
IDP regulation financial viability indicators	-									
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	22.8	23.4	55.9	29.6	29.6	29.6	31.1	32.0	33.9
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	20.4%	15.7%	18.4%	13.9%	18.6%	18.6%	18.4%	18.4%	18.4%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.5	0.8	1.1	(0.0)	0.7	0.7	0.7	1.3	2.0

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure may be funded from capital grants, internal sources and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. The following financial performance indicators formed part of the compilation of the 2016/17 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing, compared to the total operating expenditure. The cost of borrowing is decreasing from 1.7% in 2016/17 to 1.3% in 2018/19. The decrease is attributable to no further borrowing being planned over the MTREF period.

2.3.1.2 Liquidity

- The c*urrent ratio* is a measure of the current assets divided by the current liabilities. The Municipality has set a benchmark limit of 1. For the 2016/17 MTREF, the current ratio increases from 0.9 in 2016/17 to 1.3 in 2018/19.

- *The liquidity ratio* is a measure of the municipality's ability to utilise cash and cash equivalents to meets its current liabilities. A liquidity ratio of 1 should be maintained. For the 2016/17 MTREF, the liquidity ratio increases from 0.2 in 2016/17 to 0.6 in 2018/19. This represents a significant risk for the Municipality, as any under collection of revenue will result in financial challenges for the Municipality. As part of the medium term financial planning objectives, this ratio must be maintained at a minimum of 1.

2.3.2 Drinking Water Quality

The Municipality achieved a scoring of 51.83% (2014) in relation to its Blue Drop status for the supply of water, compared to the scoring of 60.69% (2012) achieved in the previous assessment. The decline is attributable to a lack of an annual process audit. In order to enhance its Blue Drop status in the next assessment cycle, the Municipality will have to focus specifically on the monitoring and recordkeeping of analyses results and the training and appointment of process controllers.

2.3.3 Basic social services package for indigent households

The Constitution stipulates that a municipality must structure and manage its administration, budgeting and planning so as to give priority to the basic needs of the community and to promote their social and economic development. The basic social package is an affirmation of the Municipality's commitment to push back the frontiers of poverty by providing social welfare to those residents who cannot afford to pay, as a result of adverse social and economic conditions.

The initiatives carried out by the Municipality in this regard are detailed below.

Service	Social Package	Approximate Cost R'000	Est. No. of Households
Assessment Rates	All residential property owners are exempted from paying rates on the first R15 000 of their property values.	2 592	28 464
	An additional R85 000 credit on property rates for indigent consumers.	1 884	7 609
Water	The first 12kl of water per month provided free to indigent consumers	13 400	7 609
Electricity	The first 50kwh of electricity provided free to indigent consumers	4 500	7 609
Refuse removal	Full credit for the monthly charge.	12 277	7 609
Sewerage	Full credit for monthly charge of sewerage to indigent consumers (For waterborne sewerage removal the maximum credit is based on 12kl per month)	6 777	7 609
Total Operating Costs		**41 430**	

2.4 OVERVIEW OF BUDGET RELATED POLICIES

The MFMA and the Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, be updated on an annual basis.

2.4.1 Financial Management Policies

The policies were adopted by the Council in May 2014. The policies govern the financial management functions of the Municipality, such as supply chain management, budget virements, credit control and debt collection, etc.

2.4.2 Review of credit control and debt collection policies

The Credit Control and Debt Collection Policy was reviewed and approved by Council in May 2014.

The 2016/17 MTREF has been prepared on the basis of achieving an average revenue collection rate of 94% on current billings.

2.4.3 Supply Chain Management Policy

A revised Supply Chain Management Policy was adopted by Council in May 2014.

2.4.4 Property Rates Policy

A revised Property Rates Policy was adopted by Council in May 2014.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Indigent Policy;
- Budget virement Policy.

2.5 OVERVIEW OF BUDGET ASSUMPTIONS

The municipal fiscal environment is influenced by a variety of macro-economic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total Operating Budget, whilst the National Electricity Regulator of South Africa (NERSA) regulates bulk electricity tariff increases. The Municipality's employee related costs are also influenced by collective agreements concluded in the South African Local Government Bargaining Council. Various government departments also affect municipal service delivery through the level of grants and subsidies.

The following principles and guidelines directly informed the compilation of the Budget:

- The priorities and targets, relating to the key strategic focus areas, as outlined in the IDP.
- The need to enhance the municipality's revenue base.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- The level of property rates and tariff increases to ensure the delivery of services on a financially sustainable basis.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.
- No growth in revenue sources has been provided for in view of current consumption trends in municipal services.
- No growth in property rates income has been provided for, in view of the depressed property market.

The Municipality faced the following significant challenges in preparing the 2016/17 – 2018/19 Budget:

- Fully implementing cost containment measures;
- Maintaining revenue collection rates at the targeted levels;
- Increased costs associated with bulk electricity and water purchases, placing upward pressure on municipal tariff increases.
- Maintaining electricity and water losses at acceptable levels;
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure;
- Maintaining an acceptable cost coverage ratio;

The multi-year budget is therefore underpinned by the following assumptions:

	2016/17	2017/18	2018/19
Income	%	%	%
Tariff Increases for water	9	6.2	5.9
Tariff Increases for sanitation	9	6.2	5.9
Tariff Increases for refuse	9	6.2	5.9
Property rates increase	9	6.2	5.9
Electricity tariff increase	7.64	7.64	7.64
Environmental Management Fee increase	6	6.2	5.9
Revenue collection rates	94	94	94
Expenditure increases allowed	6	6.2	5.9
Salary increase	7	7	7
Increase in bulk purchase of electricity costs	9.4	6.2	5.9
Increase in bulk purchase of water costs	9	6.2	5.9

2.6 OVERVIEW OF BUDGET FUNDING

2.6.1 Medium-term outlook: operating revenue

The following table provides a breakdown of operating revenue over the medium-term:

Table 18 (Breakdown of the operating revenue over the medium-term)

Description	2016/17 Medium Term Revenue & Expenditure Framework					
R thousand	Budget Year 2016/17	%	Budget Year +1 2017/18	%	Budget Year +2 2018/19	%
Revenue By Source						
Property rates	148 563	23%	157 774	23%	167 083	23%
Service charges	356 824	56%	378 947	55%	401 305	55%
Transfers recognised - operational	99 911	16%	111 502	16%	122 578	17%
Other revenue	32 632	5%	34 655	5%	36 700	5%
Total Revenue (excluding capital transfers and contributions)	637 931	100%	682 878	100%	727 666	100%

The following graph is a breakdown of the operational revenue per main category for the 2016/17 financial year.

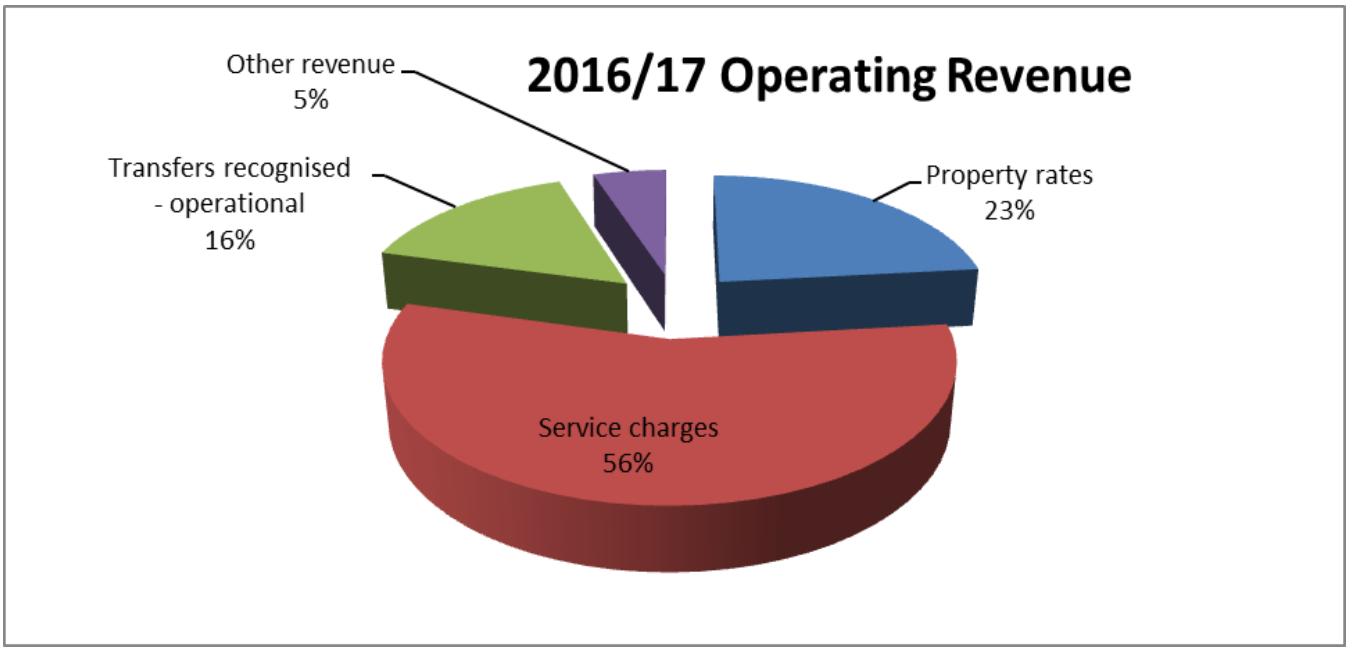


Figure 4 Breakdown of operating revenue over the 2016/17 MTREF

Tariff determination is important in ensuring appropriate levels of revenue, in order to achieve a credible and funded budget. Operating revenue is mainly derived from service charges, such as water, electricity, sanitation and refuse collection and disposal, property rates and operating grants.

The revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard;
- The Property Rates Policy;
- The level of property rates and tariff increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to take into account maintenance and replacement of infrastructure, including the expansion of services;
- Determining fully cost reflective tariffs for trading services;
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Water bulk tariff increases as approved by the Nelson Mandela Bay Metropolitan Municipality;
- Efficient revenue management, targeting a 94% annual collection rate for property rates and service charges.
- Growth in the revenue base.

The aforementioned principles guided the annual increases in property rates and tariffs, charged to the consumers.

Property rates amounts to R148,563 million in the 2016/17 financial year and increases to R167,083 million in 2018/19, representing 23.29% of the total operating revenue for the 2016/17 budget.

Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the largest component of the revenue base, amounting to R356,824 million in the 2016/17 financial year and increasing to R401,305 million in 2018/19. For the 2016/17 financial year, services charges amount to 55.93% of the total revenue base.

Operational grants and subsidies amount to R99,911 million, R111,502 million and R122,578 million for each of the respective financial years of the MTREF, or 15.66%, 16.33% and 16.85% of total operating revenue.

The table below provides investment particulars by type.

Table 19 (SA15 – Detail Investment Information)

Investment type	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Parent municipality								
Securities - National Government								
Listed Corporate Bonds								
Deposits - Bank	18 534	28 751	39 682	10 000	24 092	28 755	56 535	89 938
Deposits - Public Investment Commissioners								
Deposits - Corporation for Public Deposits								
Bankers Acceptance Certificates								
Negotiable Certificates of Deposit - Banks								
Guaranteed Endowment Policies (sinking)								
Repurchase Agreements - Banks								
Municipal Bonds								
Municipality sub-total	18 534	28 751	39 682	10 000	24 092	28 755	56 535	89 938
Entities								
Securities - National Government								
Listed Corporate Bonds								
Deposits - Bank								
Deposits - Public Investment Commissioners								
Deposits - Corporation for Public Deposits								
Bankers Acceptance Certificates								
Negotiable Certificates of Deposit - Banks								
Guaranteed Endowment Policies (sinking)								
Repurchase Agreements - Banks								
Entities sub-total	–	–	–	–	–	–	–	–
Consolidated total:	18 534	28 751	39 682	10 000	24 092	28 755	56 535	89 938

Investments are anticipated to increase from R28,755 million in 2016/17 to R89,938 million in 2018/19.

2.6.2 Medium-term outlook: capital revenue

The following table provides a breakdown of the funding components of the 2016/17 medium-term capital programme:

Table 20 (Sources of capital revenue over the MTREF)

Vote Description	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
National Government	33 360	34 810	40 840	47 457
Provincial Government	47 440	9 910	–	–
District Municipality	–	–	–	–
Other transfers and grants	–	–	–	–
Transfers recognised - capital	80 800	44 720	40 840	47 457
Public contributions & donations	–	–	–	–
Borrowing	–	–	–	–
Internally generated funds	23 706	23 255	8 580	8 000
Total Capital Funding	104 506	67 975	49 420	55 457

The above table is graphically represented as follows for the 2016/17 financial year.

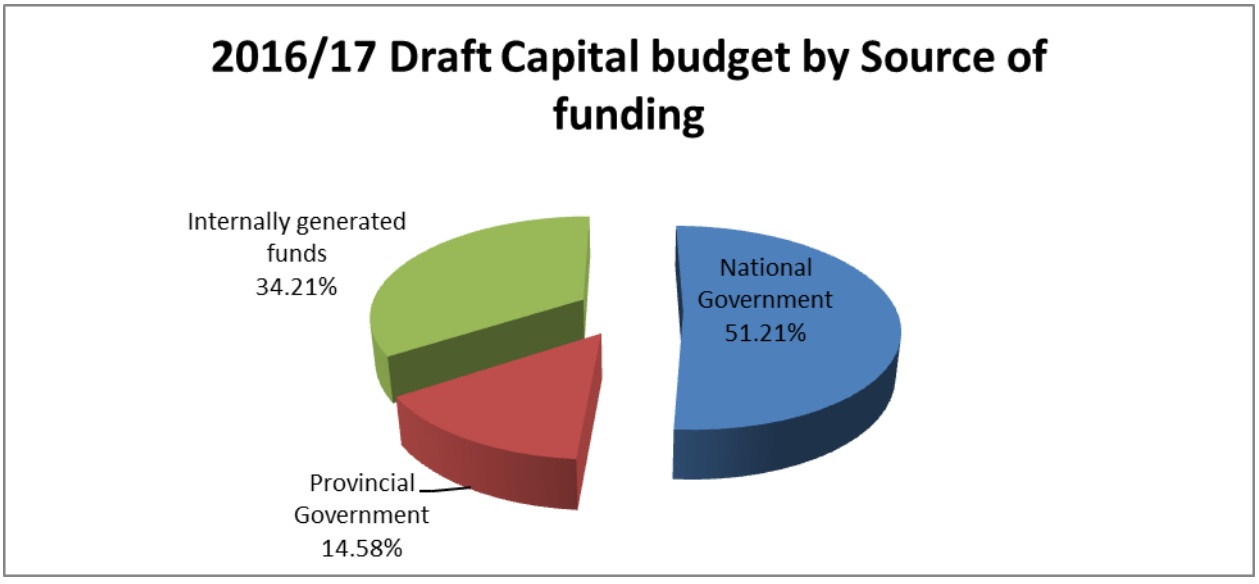


Figure 5 Sources of Capital Revenue for the 2016/17 financial year

Capital Grants constitute 65.79% of the total funding sources, amounting to R44,720 million for the 2016/17 financial year and amounting to R47,457 million or 85,57% in the 2018/19 financial year.
It is to be noted that no borrowing is planned for the 2016/17 MTREF, in view of financial affordability considerations.

The following table provides a detailed analysis of the Municipality's borrowings.

Table 21 (Table SA 17 - Detail of borrowings)

Borrowing - Categorised by type	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Parent municipality								
Long-Term Loans (annuity/reducing balance)								
Long-Term Loans (non-annuity)	61 104	53 443	49 637	53 963	49 637	36 734	30 297	23 114
Total Borrowing	61 104	53 443	49 637	53 963	49 637	36 734	30 297	23 114

The following graph illustrates the outstanding borrowing for the 2012/13 to 2017/18 period:

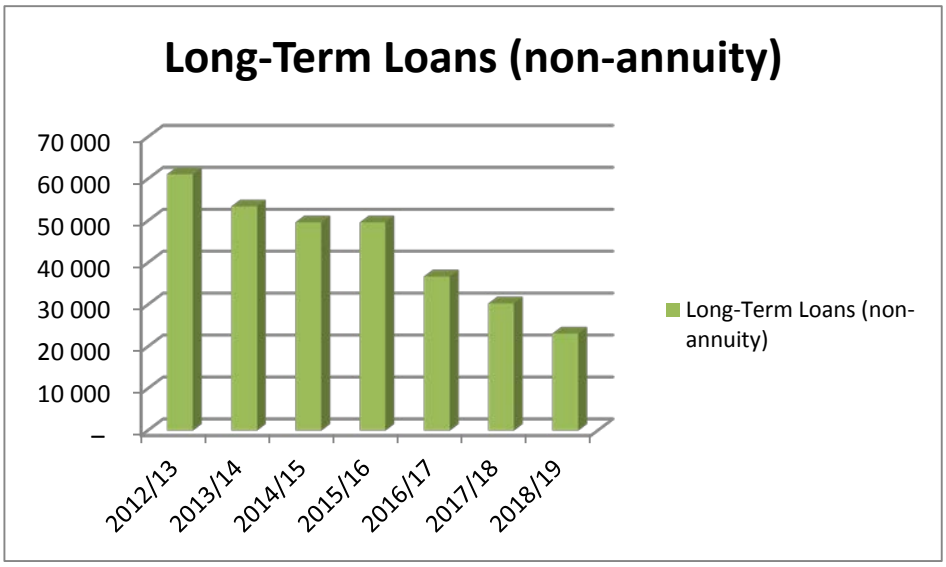


Figure 6 Growth in outstanding borrowing (long-term liabilities)

The following table indicates the capital transfers and grant receipts:

Table 22 (Table SA 18 - Capital transfers and grant receipts)

Description	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
RECEIPTS:					
Operating Transfers and Grants					
National Government:	87 169	87 169	95 820	107 282	118 228
Local Government Equitable Share	82 099	82 099	91 622	103 959	114 565
Finance Management	1 600	1 600	1 625	1 700	1 955
Municipal Systems Improvement	930	930	–	–	–
EPWP Incentive	1 000	1 000	1 057	–	–
Disaster Recovery Grant					
MIG - Admin	1 540	1 540	1 516	1 623	1 708
Provincial Government:	3 364	2 214	2 491	2 521	2 551
Library	2 014	2 014	2 014	2 014	2 014
Skills Development Grant	1 350	200	477	507	537
District Municipality:	1 600	1 700	1 600	1 699	1 799
Economic Development Gant		100			
Environment Health Subsidy	1 600	1 600	1 600	1 699	1 799
Other grant providers:	18	–	–	–	–
Grant : Jeffreys Bay Wind Farm	18				
Total Operating Transfers and Grants	92 151	91 083	99 911	111 502	122 578
Capital Transfers and Grants					
National Government:	33 360	33 360	34 810	40 840	47 457
Municipal Infrastructure Grant (MIG)	29 260	29 260	28 810	30 840	32 457
Intergrated National Electrification Programme	4 100	4 100	6 000	10 000	15 000
Provincial Government:	–	38 000	5 000	–	–
Department of Human Settlement Grant		38 000	5 000		
Other grant providers:	–	9 440	4 910	–	–
Department of Water Affairs		9 440	4 910		
Total Capital Transfers and Grants	33 360	80 800	44 720	40 840	47 457
TOTAL RECEIPTS OF TRANSFERS & GRANTS	125 511	171 883	144 631	152 342	170 035

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining whether the budget is funded over the medium-term. The table includes some specific features:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government; and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 23 (Table A7 - Budgeted cash flow statement)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties & collection charges	109 025	138 713	122 196	142 595	134 356	139 650	148 308	157 058
Service charges	247 311	252 848	293 108	320 439	308 977	335 414	356 210	377 227
Other revenue	32 134	36 399	17 296	23 210	24 241	23 132	24 566	26 015
Government - operating	91 174	95 932	191 281	92 151	91 083	99 911	111 502	122 578
Government – capital				33 360	80 800	44 720	40 840	47 457
Interest	1 236	1 709	2 430	8 324	2 984	9 500	10 089	10 684
Dividends						–	–	–
Payments								
Suppliers and employees	(423 529)	(468 833)	(474 900)	(540 398)	(529 515)	(567 344)	(600 701)	(636 297)
Finance charges	(22 090)	(13 356)	(7 131)	(16 112)	(5 555)	(4 463)	(3 786)	(3 028)
Transfers and Grants						(580)	(616)	(652)
NET CASH FROM/(USED) OPERATING ACTIVITIES	35 261	43 413	144 279	63 570	107 372	79 941	86 413	101 042
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	180	1 087	234			–	–	–
Decrease (Increase) in non-current debtors	49	148				–	–	–
Decrease (increase) other non-current receivables			17			–	–	–
Decrease (increase) in non-current investments						–	–	–
Payments								
Capital assets	(29 233)	(18 261)	(116 735)	(63 570)	(104 506)	(67 975)	(49 420)	(55 457)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(29 004)	(17 026)	(116 484)	(63 570)	(104 506)	(67 975)	(49 420)	(55 457)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans						–	–	–
Borrowing long term/refinancing						–	–	–
Increase (decrease) in consumer deposits						–	–	–
Payments								
Repayment of borrowing	(4 145)	(16 028)	(16 864)		(15 456)	(7 303)	(7 213)	(7 182)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(4 145)	(16 028)	(16 864)	–	(15 456)	(7 303)	(7 213)	(7 182)
NET INCREASE/ (DECREASE) IN CASH HELD	2 112	10 359	10 931	(0)	(12 590)	4 663	29 780	38 403
Cash/cash equivalents at the year begin:	16 279	18 391	28 751		39 682	27 092	31 755	61 535
Cash/cash equivalents at the year end:	18 391	28 751	39 682	(0)	27 092	31 755	61 535	99 938

For the 2016/17 MTREF, the cash and cash equivalents over the medium-term is anticipated to increase from R31,755 million to R99,938 million in 2018/19.

Table 24 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available								
Cash/cash equivalents at the year end	18 391	28 751	39 682	(0)	27 092	31 755	61 535	99 938
Other current investments > 90 days	(0)	(0)	0	10 000	(0)	(0)	–	–
Non current assets - Investments	–	–	–	–	–	–	–	–
Cash and investments available:	18 391	28 751	39 682	10 000	27 092	31 755	61 535	99 938
Application of cash and investments								
Unspent conditional transfers	7 457	19 019	5 689	–	5 689	–	–	–
Unspent borrowing	–	–	–	–	–	–	–	–
Statutory requirements								
Other working capital requirements	49 902	55 169	20 253	36 065	5 554	7 089	7 572	8 060
Other provisions	1 952	2 007	2 389		2 389	2 532	2 689	2 848
Long term investments committed	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments				10 000				
Total Application of cash and investments:	51 854	57 176	22 642	46 065	13 631	9 621	10 261	10 908
Surplus(shortfall)	(33 463)	(28 425)	17 040	(36 065)	13 461	22 134	51 274	89 031

The underlying purpose of Table A8 is to reflect the predicted cash and investments that are available at the end of a particular budget year and how these funds were used. A surplus would indicate that sufficient cash and investments were available to meet commitments, whilst a shortfall would indicate inadequate cash and investments were available to meet commitments.

The available cash and investments amount to R31,755 million in the 2016/17 financial year and increases to R99,938 million in 2018/19. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) – no unspent grant funding is anticipated over the 2016/17 MTREF.

- There is no unspent borrowing from previous financial years.

- The main purpose of the other working capital requirements is to ensure that sufficient funds are available to meet commitments as and when they fall due. A key challenge is often the mismatch between the timing of receipts from debtors and payments due to employees and creditors. High levels of non-payment by debtors will result in a greater requirement for working capital, ultimately causing cash flow challenges.

- Current provisions relating to post-retirement medical aid benefits and ex-gratia pensions have been provided for.

It is concluded that the Municipality's cash backed and accumulated surpluses reconciliation reflects surpluses of R22,134 million, R51,174 million and R89,031 million for the 2016/17, 2017/18 and 2018/19 financial years, respectively.

It is to be noted that the 2016/17 MTREF is funded, when considering the funding requirements of section 18 and 19 of the MFMA. The cost coverage ratio is, however, 0,7 months, 1,3 months and 2,0 months for the 2016/17, 2017/18 and 2018/19 financial years, respectively.

2.6.5 Funding Compliance Measurement

National Treasury requires the Municipality to assess its financial sustainability against the different measures outlined below.

Description	MFMA section	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Funding measures									
Cash/cash equivalents at the year end - R'000	18(1)b	18 391	28 751	39 682	(0)	27 092	31 755	61 535	99 938
Cash + investments at the yr end less applications - R'000	18(1)b	(33 463)	(28 425)	17 040	(36 065)	13 461	22 134	51 274	89 031
Cash year end/monthly employee/supplier payments	18(1)b	0.5	0.8	1.1	(0.0)	0.7	0.7	1.3	2.0
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	(46 161)	(50 579)	91 225	(50 504)	26 659	(3 182)	(1 864)	7 557
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	N.A.	5.7%	(3.6%)	13.9%	(14.4%)	1.1%	0.2%	(0.1%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	96.3%	95.2%	93.5%	89.3%	94.4%	93.1%	93.1%	93.1%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	1.4%	7.9%	4.0%	10.1%	5.9%	6.0%	6.0%	6.0%
Capital payments % of capital expenditure	18(1)c; 19	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a						100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	N.A.	(14.1%)	20.0%	(9.6%)	22.9%	6.0%	6.2%	5.9%
Long term receivables % change - incr(decr)	18(1)a	N.A.	(44.1%)	(9.3%)	12.4%	(20.2%)	(26.1%)	(35.4%)	(54.7%)
R&M % of Property Plant & Equipment	20(1)(vi)	0.8%	1.0%	1.1%	1.6%	1.5%	1.4%	1.4%	1.6%
Asset renewal % of capital budget	20(1)(vi)	0.0%	0.0%	0.0%	0.0%	0.0%	28.0%	59.7%	55.6%

Below is a discussion of the different measures.

2.6.5.1 Cash/cash equivalent position

The forecasted cash and cash equivalents for the 2016/17 MTREF amounts to R31,755 million, R61,535 million and R99,938 million for the respective financial years.

2.6.5.2 Cash plus investments less application of funds

For the 2016/17, 2017/18 and 2018/19 budgets, the available cash and investments exceed the application of funds by an amount of R22,134 million, R51,274 million and R89,031 million respectively.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

As part of the 2016/17 MTREF, the projected cash position causes the ratio to increase from 0.7 months to 2 months.

2.6.5.4 Surplus/deficit excluding depreciation offsets

For the 2016/17 MTREF the indicative outcome is a deficit of R3,182 million, R1,864 million and a surplus of R7,557 million. This is made up as follows:

	2016/17	**2017/18**	**2018/19**
	R	**R**	**R**
Operating Budget Deficit	(47 902)	(42 704)	(39 900)
Capital Grants (Transfers)	44 720	40 840	47 457
Total	**(3 182)**	**(1 864)**	**7 557**

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective, and therefore the first two measures in the table are critical.

2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

This is calculated by deducting the maximum macro-economic inflation target (which is currently 3 - 6 %), so as to determine the real increase in revenue. The percentage growth totals 1.1%, 0.2% and -0.1% for the respective financial years of the 2016/17 MTREF. The real increases in revenue are below the inflation target figures.

2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue

The outcome is approximately 93% for each of the respective financial years.

2.6.5.7 Debt impairment expense as a percentage of billable revenue

The provision has been set at 6% over the MTREF, in line with the revenue collection trends.

2.6.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into account in forecasting the cash position.

2.6.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

No borrowing has been planned for the 2016/17 MTREF.

2.6.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. All transfers are included in the budget.

2.6.5.11 Repairs and maintenance expenditure level

The expenditure constitutes 1.4%, 1.4% and 1.6% of Property, Plant and Equipment respectively, over the 2016/17 MTREF, whilst National Treasury has suggested a 8% level.

2.6.5.12 Asset renewal/rehabilitation expenditure level

The expenditure constitutes 28%, 59,7% and 55,6% of the capital budget respectively, over the 2016/17 MTREF, whilst National Treasury has suggested a 40% level.

2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

GRANTS RECEIVED

Description	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
RECEIPTS:					
Operating Transfers and Grants					
National Government:	87 169	87 169	95 820	107 282	118 228
Local Government Equitable Share	82 099	82 099	91 622	103 959	114 565
Finance Management	1 600	1 600	1 625	1 700	1 955
Municipal Systems Improvement	930	930	–	–	–
EPWP Incentive	1 000	1 000	1 057	–	–
MIG – Admin	1 540	1 540	1 516	1 623	1 708
Provincial Government:	3 364	2 214	2 491	2 521	2 551
Library	2 014	2 014	2 014	2 014	2 014
Skills Development Grant	1 350	200	477	507	537
District Municipality:	1 600	1 700	1 600	1 699	1 799
Economic Development Gant		100			
Environment Health Subsidy	1 600	1 600	1 600	1 699	1 799
Other grant providers:	18	–	–	–	–
Grant : Jeffreys Bay Wind Farm	18				
Total Operating Transfers and Grants	92 151	91 083	99 911	111 502	122 578
Capital Transfers and Grants					
National Government:	33 360	33 360	34 810	40 840	47 457
Municipal Infrastructure Grant (MIG)	29 260	29 260	28 810	30 840	32 457
Intergrated National Electrification Programme	4 100	4 100	6 000	10 000	15 000
Provincial Government:	–	38 000	5 000	–	–
Department of Human Settlement Grant		38 000	5 000		
Other grant providers:	–	9 440	4 910	–	–
Department of Water Affairs		9 440	4 910		
Total Capital Transfers and Grants	33 360	80 800	44 720	40 840	47 457
TOTAL RECEIPTS OF TRANSFERS & GRANTS	125 511	171 883	144 631	152 342	170 035

GRANTS EXPENDITURE

GRANTS RECONCILIATION

Description	2012/13	2013/14	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
EXPENDITURE:							
Operating expenditure of Transfers and Grants							
Operating Transfers and Grants	53 674	64 548	87 169	87 169	95 820	107 282	118 228
National Government:	46 483	54 165	82 099	82 099	91 622	103 959	114 565
Local Government Equitable Share	1 500	1 550	1 600	1 600	1 625	1 700	1 955
Finance Management	387	890	930	930	–	–	–
Municipal Systems Improvement	1 616	1 330	1 000	1 000	1 057	–	–
EPWP Incentive	2 293	5 197					
Disaster Recovery Grant	1 395	1 416	1 540	1 540	1 516	1 623	1 708
Neighbourhood Development Partnership Grant	2 813	2 862	3 364	2 214	2 491	2 521	2 551
Provincial Government:	2 083	2 014	2 014	2 014	2 014	2 014	2 014
Library	730	848	1 350	200	477	507	537
0	1 631	1 733	1 600	1 700	1 600	1 699	1 799
District Municipality:	1 631	50		100			
Environment Health		1 683	1 600	1 600	1 600	1 699	1 799
Environment Health Subsidy	–	–	18	–	–	–	–
Other grant providers:			18				
Total operating expenditure of Transfers and Grants:	58 117	69 143	92 151	91 083	99 911	111 502	122 578
Capital expenditure of Transfers and Grants							
Capital Transfers and Grants	33 502	33 851	33 360	33 360	34 810	40 840	47 457
National Government:	26 507	26 911	29 260	29 260	28 810	30 840	32 457
0	6 995	6 940	4 100	4 100	6 000	10 000	15 000
Intergrated National Electrification Programme	–	–	–	38 000	5 000	–	–
Provincial Government:				38 000	5 000		
0	–	–	–	9 440	4 910	–	–
Other grant providers:				9 440	4 910		
Total capital expenditure of Transfers and Grants	33 502	33 851	33 360	80 800	44 720	40 840	47 457
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	91 620	102 994	125 511	171 883	144 631	152 342	170 035

2.8 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

The table below reflects the grants and allocations made by the Municipality. It includes grants-in-aid made in accordance with the Municipality's grants-in-aid policy and transfers to entities and other organisations to primarily support their operational expenditure.

ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

Description	2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash Transfers to Entities/Other External Mechanisms			
MOA with Arts Council	96	102	108
MOA with Sports Council	100	106	112
MOA KLTO	384	408	432
Total Cash Transfers To Entities/Ems'	580	616	652
TOTAL CASH TRANSFERS AND GRANTS	580	616	652
TOTAL TRANSFERS AND GRANTS	580	616	652

2.9 COUNCILLORS AND EMPLOYEE BENEFITS

DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Summary of Employee and Councillor remuneration	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)						
Basic Salaries and Wages	6 566	7 180	7 180	7 683	8 159	8 641
Pension and UIF Contributions	7					
Medical Aid Contributions	1 952					
Motor Vehicle Allowance		2 393	2 393	2 562	2 721	2 881
Cellphone Allowance		710	710	759	806	854
Other benefits and allowances	3 153					
Sub Total - Councillors	11 678	10 283	10 283	11 004	11 686	12 376
% increase	-	-11.90%	-11.90%	7.00%	6.20%	5.90%
Senior Managers of the Municipality						
Basic Salaries and Wages	5 836	5 649	5 649	6 045	6 419	6 798
Pension and UIF Contributions						
Motor Vehicle Allowance		676	676	723	768	813
Sub Total - Senior Managers of Municipality	5 836	6 325	6 325	6 768	7 188	7 612
% increase		8.40%	8.40%	7.00%	6.20%	5.90%
Other Municipal Staff						
Basic Salaries and Wages	128 340	133 000	133 000	140 923	149 660	158 490
Pension and UIF Contributions	21 695	21 695	21 695	25 097	26 653	28 225
Medical Aid Contributions	9 258	9 258	9 258	12 664	13 449	14 243
Overtime	10 803	10 803	10 803	9 454	10 040	10 632
Performance Bonus	–	–	–	948	1 006	1 066
Motor Vehicle Allowance	–	–	–	7 938	8 430	8 927
Housing Allowances	506	506	506	584	620	656
Other benefits and allowances	35 141	35 141	35 141	28 068	29 808	31 567
Long service awards	858	858	858	759	806	854
Sub Total - Other Municipal Staff	206 601	211 262	211 262	226 434	240 472	254 660
% increase		2.30%	2.30%	7.20%	6.20%	5.90%
Total Parent Municipality	224 115	227 870	227 870	244 205	259 346	274 648
% increase		1.70%	1.70%	7.20%	6.20%	5.90%
TOTAL MANAGERS AND STAFF	212 437	217 587	217 587	233 201	247 660	262 272

DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Disclosure of Salaries, Allowances & Benefits 1.	Salary	Allowances	Total Package
Rand per annum			2.
Councillors			
Speaker	486 645	188 395	675 039
Chief Whip			–
Executive Mayor	608 305	228 949	837 254
Deputy Executive Mayor			–
Executive Committee	2 737 379	1 069 540	3 806 919
Total for all other councillors	3 850 482	1 834 194	5 684 675
Total Councillors	7 682 810	3 321 077	11 003 887
Senior Managers of the Municipality			
Municipal Manager (MM)	1 074 699	154 080	1 228 779
Chief Financial Officer	1 070 000	107 000	1 177 000
Director LED	987 822	102 720	1 090 542
Director Infrastr/Plan & Development	987 822	102 720	1 090 542
Director Social Servives	936 462	154 080	1 090 542
Director Admin, Mon & Evaluation	987 822	102 720	1 090 542
Total Senior Managers of the Municipality	6 044 626	723 320	6 767 946
TOTAL COST OF COUNCILLOR and DIRECTOR REMUNERATION	13 727 436	4 044 397	17 771 833

2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

MONTHLY CASH FLOWS	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17
Cash Receipts By Source													1
Property rates	11 172	19 551	25 137	11 172	11 172	9 775	8 379	8 379	9 775	8 379	8 379	8 379	139 650
Property rates - penalties & collection charges												–	
Service charges - electricity revenue	16 881	16 881	21 101	16 881	16 881	18 991	16 881	16 881	21 101	14 771	14 771	18 991	211 013
Service charges - water revenue	3 995	3 496	4 494	4 494	3 995	3 995	3 995	4 994	3 995	4 494	4 494	3 496	49 937
Service charges - sanitation revenue	3 067	2 684	3 451	3 451	3 067	3 067	3 067	3 834	3 067	3 451	3 451	2 684	38 340
Service charges - refuse revenue	1 878	1 644	2 113	2 113	1 878	1 878	1 878	2 348	1 878	2 113	2 113	1 644	23 481
Service charges - other	1 011	885	1 138	1 138	1 011	1 011	1 011	1 264	1 011	1 138	1 138	885	12 644
Rental of facilities and equipment	47	41	53	53	47	47	47	59	47	53	53	41	591
Interest earned - external investments	240	210	270	270	240	240	240	300	240	270	270	210	3 000
Interest earned - outstanding debtors	520	455	585	585	520	520	520	650	520	585	585	455	6 500
Fines	209	183	235	235	209	209	209	261	209	235	235	183	2 612
Licences and permits	727	636	818	818	727	727	727	909	727	818	818	636	9 086
Transfer receipts - operational	37 059				31 426				31 426			(0)	99 911
Other revenue	867	759	976	976	867	867	867	1 084	867	976	976	759	10 843
Cash Receipts by Source	77 674	47 424	60 371	42 186	72 042	41 329	37 823	40 963	74 866	37 283	37 283	38 362	607 607
Other Cash Flows by Source													
Transfer receipts - capital	15 603		3 303		9 603	3 303		3 303	9 603			0	44 720
Total Cash Receipts by Source	93 278	47 424	63 675	42 186	81 645	44 633	37 823	44 267	84 469	37 283	37 283	38 362	652 327
Cash Payments by Type													
Employee related costs	18 656	18 656	18 656	18 656	27 984	18 656	18 656	18 656	18 656	18 656	18 656	18 656	233 201

MONTHLY CASH FLOWS	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17
Remuneration of councillors	880	880	880	880	880	880	880	880	880	880	880	1 320	11 004
Finance charges	446	446	402	402	402	402	357	312	312	268	312	402	4 463
Bulk purchases - Electricity	18 933	20 826	11 360	17 040	21 394	11 360	21 016	13 253	14 518	9 467	9 467	20 698	189 331
Bulk purchases - Water & Sewer	1 806	1 987	1 084	1 626	2 041	1 084	2 005	1 264	1 343	1 084	361	2 378	18 063
Other materials	2 880	2 520	3 240	3 240	2 880	2 880	2 880	3 600	2 880	3 240	3 240	2 520	35 999
Contracted services	1 003	1 003	1 003	1 003	1 003	1 003	1 003	1 003	1 003	1 003	1 003	1 504	12 537
Transfers and grants - other				580								–	580
Other expenditure	867	759	976	976	867	867	867	1 084	867	976	976	57 124	67 208
Cash Payments by Type	45 472	47 078	37 600	44 402	57 452	37 132	47 664	40 054	40 460	35 573	34 895	104 603	572 386
Other Cash Flows/Payments by Type													
Capital assets	15 603	4 758	3 303	6 118	9 603	3 303	5 438	3 303	9 603	2 039	1 359	3 542	67 975
Repayment of borrowing	730	446	657	402	402	402	584	511	312	438	312	2 105	7 303
Total Cash Payments by Type	61 806	52 282	41 561	50 922	67 457	40 837	53 687	43 868	50 375	38 051	36 567	110 251	647 664
NET INCREASE/(DECREASE) IN CASH HELD	31 472	(4 858)	22 114	(8 736)	14 188	3 796	(15 864)	399	34 094	(768)	716	(71 889)	4 663
Cash/cash equivalents at the month/year begin:	27 092	58 564	53 705	75 819	67 083	81 272	85 067	69 203	69 602	103 696	102 928	103 644	27 092
Cash/cash equivalents at the month/year end:	58 564	53 705	75 819	67 083	81 272	85 067	69 203	69 602	103 696	102 928	103 644	31 755	31 755

2.11 ANNUAL BUDGETS AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS –DIRECTORATES

In terms of section 53 (1)(c)(ii) of the MFMA, the Service Delivery and Budget Implementation Plan (SDBIP) constitutes a detailed plan for implementing the Municipality's delivery of services and its annual budget, which must include the following:

(a) Monthly projections of

- Revenue to be collected, by source; and
- Operational and capital expenditure, by vote.

(b) Service delivery targets and performance indicators for each quarter.

In accordance with Section 53 of the MFMA, the Executive Mayor is required to approve the SDBIP within 28 days after the approval of the budget. Furthermore, the Executive Mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators, as set out in the SDBIP, are made public within 14 days after the approval of the SDBIP.

The SDBIP gives effect to the IDP and Budget of the Municipality. It includes the service delivery targets and performance indicators for each quarter, which forms the basis for the performance agreements of the Directors. It therefore facilitates oversight over the financial and non-financial performance of the Municipality and allows the Municipal Manager to monitor the performance of the Directors, the Executive Mayor/Council to monitor the performance of the Municipal Manager, and the Community to monitor the performance of the Municipality.

The SDBIP relating to the 2016/17 financial year will be approved by the Executive Mayor during June 2016, following the approval of the Budget.

2.12 LEGISLATION COMPLIANCE STATUS

The following reflects the status of implementation of some of the key MFMA areas:

IDP

A draft revised 2016/17 IDP has been developed, which will be considered at a Council meeting scheduled for 29 March 2016. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP.

Budget

The annual budget document has been developed taking the MFMA and National Treasury (NT) requirements into account. Budgets are being tabled and approved within the required legislated timeframes.

Annual Report

The Annual Report has been developed taking the MFMA and NT requirements into account. The 2014/15 Annual Report was tabled in January 2016.

Oversight Report

The Municipal Public Accounts Committee has considered the 2014/15 Annual report. Its Oversight Report will be considered at a Council meeting scheduled for 29 March 2016.

In-Year Reporting

The municipality submits the various reports required to the Executive Mayor, Council, and NT on an ongoing basis, in accordance with the MFMA.

Supply Chain Management Policy (SCM)

A Supply Chain Management Policy has been adopted and implemented in accordance with the MFMA and NT requirements.

All the required committee structures are in place. Whilst the municipality is working at making these new processes operate more efficiently and effectively, it is considered that the municipality is currently complying with the MFMA and NT guidelines.

Budget and Treasury

A Budget and Treasury Office has been established in accordance with the MFMA and NT requirements, consisting of a CFO and municipal officials reporting to the CFO.

Audit Committee

An Audit Committee has been established and meets on a quarterly basis.

Internal Audit Function

The Municipality's Internal Audit Function is performed by KMPG and reports to the Municipal Manager and is operating in accordance with an audit plan.

In relation to the 2016/17 financial year and beyond, the municipality plans to focus on the following high priority areas:

- Maintaining its unqualified audit status.
- The Municipality is considering the establishment of an internal audit section and phasing out the outsourcing of this service.
- Further strengthening of the integration and linkages between the IDP, Budget, SDBIP and Annual Report.

Internship Programme

The Municipality had a total of five Interns on the Municipal Financial Management Internship programme, as approved by National Treasury. In the 2014/15 financial year, however, four Interns were appointed to permanent positions within the Finance Directorate, leaving one Intern remaining.

The municipality is in the process of recruiting a further four Interns.

2.13 CAPITAL EXPENDITURE DETAILS

A summary of the budgeted capital expenditure is reflected in **Annexure "C".**

2.14 MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Quality Certificate

I, SAKHEKILE SYDNEY FADI, Municipal Manager of Kouga Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name : SAKHEKILE SYDNEY FADI

MUNICIPAL MANAGER OF KOUGA MUNICIPALITY (EC108)

Signature : _____

Date : _____